StepChange response to Ofgem Debt Relief Scheme policy update working paper

August 2025

Summary

StepChange Debt Charity is a specialist not-for-profit provider of debt advice and debt solutions supporting people across the UK. In 2024, over 660,000 people contacted StepChange seeking debt advice or guidance with their problem debt and over 170,000 people completed full debt advice through our online and telephone service.

We welcome the opportunity to feed into Ofgem's policy update working paper on the proposed Debt Relief Scheme (DRS). StepChange has long endorsed the introduction of a nationwide scheme to tackle historic energy debt, as well as work to drive up standards in the energy debt pathway and an intervention to bring about long-term, widespread energy affordability.[1]

There is a pressing need for all these moves. In 2024, two in five (40%) of our clients responsible for paying energy bills had arrears at an average of £2,340, and over two in five (42%) of this group had a negative budget – meaning after going through a full debt advice and budgeting session, their monthly income is not enough to cover their basic monthly costs.

For many of those with the lowest and most precarious incomes, which includes many of our clients, fuel poverty is a daily lived experience. To put this into perspective, two in five (40%) clients with responsibility for energy bills were spending more than 10% of their income on energy in 2024, rising to over half (53%) among those with energy arrears. The experiences our clients report to our debt advisors reflect some of the worrying consequences this financial difficulty can have, from causing or exacerbating mental health problems, through to detrimental physical health impacts due to self-rationing energy consumption.

Responding the Ofgem's initial consultation on a proposed DRS in February 2025, we advocated for a scheme that is clearly branded, well-targeted and effective in alleviating some of the substantial pressures consumers with energy debt are facing.[2] We were particularly supportive of an automatic eligibility route, with provisions for 100% debt write-off for qualifying customers on eligible debt – to enhance both simplicity of delivery and consumer understanding, as well as to bring about the most impactful financial support.

We note that, since this initial consultation period, Ofgem has proposed shifting some of the parameters of the scheme somewhat to focus more explicitly on facilitating consumer engagement with their suppliers. While engagement is certainly a worthy intention, making debt write-off for a cohort of customers receiving means-tested benefits (MTB) conditional on specific actions is problematic because it risks excluding some of those in the most precarious situations who most need support. Improving customer engagement is a

[1] StepChange Debt Charity (2025), "We must, with urgency, tackle the energy debt and affordability crisis"
[2] StepChange Debt Charity (2025), Response to Ofgem consultation on the case for an energy debt relief scheme

relational challenge that requires a long-term approach and continued improvements to suppliers' approaches and debt collection practices, and cannot be effectively or comprehensively achieved through the shortcut of one-off conditional debt relief. We elaborate on these points further in response to the working paper questions.

We understand why Ofgem has taken the decision to separate the scheme into two phases: the first primarily targeted at delivering debt write-off for customers on MTB, and the second seeking to reach non-MTB customers who are determined to be eligible for debt relief subject to an affordability assessment. We would, however, urge the regulator to ensure that work on designing the second phase of the scheme does not lose momentum, allowing it to go ahead in as timely a manner as possible.

What's more, the foundation for dealing effectively with energy debt must be improving debt collection standards at pace. We would like to see Ofgem clarify and redouble its work to improve debt collection standards in tandem with roll out of the DRS. We are not yet fully confident in the readiness of all suppliers to support customers in vulnerable situations with energy debt fairly this winter. As such, it does not make sense to moderate efforts to quickly drive improvements in debt collection standards among suppliers.

This work must also be situated in a context where typical energy bills continue to sit far above pre-energy crisis averages, while the level of targeted financial assistance available to support those in or at risk of fuel poverty has quite simply not sufficiently kept pace. In practical terms, with historically high levels of energy debt in the system following years of high prices and the energy price cap far from averages seen just a few years ago, many households will continue to struggle to meet their energy costs – both debt repayments and ongoing usage – without further, more comprehensive action on both affordability and debt.

Indeed, nationally representative polling StepChange commissioned in May 2025 found that three in ten (31%) UK adults were worried about their ability to pay their energy bills over the next six months, rising to over two in five (42%) of those in receipt of benefits and over half (56%) of those receiving Universal Credit (UC) specifically.

Therefore, alongside this welcome move to implement an energy debt relief scheme, StepChange also wants to see targeted, enduring intervention which properly protects consumers in vulnerable situations, including those on lowest incomes, from unaffordable energy costs. It is vital that the Warm Home Discount scheme is comprehensively reviewed and – if it is to be the policy vehicle used in response to deep energy affordability pressures – made fit for purpose. While we recognise that there were legislative limitations to the changes that could be applied in the 2025/26 scheme year, we look forward to engaging with both Ofgem and Government on the "more substantial changes" being explored "to improve the design of the scheme beyond the current regulations" which expire in 2026.[3]

[3] StepChange Debt Charity (2025), Response to Department for Energy Security and Net Zero's "Expanding the Warm Home Discount Scheme 2025/26" consultation

Response to consultation questions

Section One: Revised Scheme Objectives and Design

Question 1: We welcome stakeholder views on whether we should cap available DRS support as at statutory consultation date?

We recognise the rationale driving Ofgem's proposal that available DRS support could be capped at the statutory consultation date, and the reasons why only debt accrued during a prescribed period would be eligible for debt write-off.

We would note, however, that this underscores the importance of delivering both phases of the scheme as swiftly and effectively as possible. The longer the delay between the end of the period of eligible debt – proposed as 31 March 2024 – and the full implementation of the DRS, the more likely it is that customers in financial difficulty will continue to build up non-eligible debt in the meantime, diluting the impact and intentions of this scheme.

We would welcome further clarity and data from Ofgem on the scale of energy debt which has continued to build up in the wake of this proposed DRS debt eligibility period, meaning this would remain unresolved after DRS support was delivered. Ofgem should use this intelligence to determine whether a possible extension of the eligible debt period might be required, to ensure the proposed scheme objective to reduce the levels of domestic debt and arrears in the energy sector is met in as effective and meaningful manner as possible.

What's more, while it's positive that energy prices have come down since the peak of the energy crisis, it must be acknowledged that the current price cap average of £1,720 per year for a typical household is still significantly higher than before the cost-of-living crisis began – up from an average £1,138/year in summer 2021. It is therefore vital that solutions designed to tackle ongoing energy affordability challenges, as well as historic debt, are explored by Government and Ofgem at speed.

Question 3: Do you agree with the conditions proposed for both engaged and currently disengaged customers, or do you believe that the threshold for accessing DRS should be lower or higher (and if so, please clarify how)?

<u>"Engaged" customer cohort</u>

We are very pleased to see that Ofgem is proposing to provide automatic support during Phase 1 of the DRS scheme, whereby customers on MTB with eligible debt who have recently made payment toward ongoing consumption will automatically qualify for support. We also warmly welcome the fact that Ofgem is proposing that these customers will get full write-off of the eligible debt (as opposed to an initial period of payment matching, for example). We believe these are eminently sensible decisions, having previously:

- Highlighted evidence showing how a reduction in automation within comparable energy bills support schemes presented barriers to low-income households – in this case take-up of the Government's Energy Bills Support Scheme being lower among harder-to-reach households unable to access this assistance automatically and who had to apply for it.[4]
- Raised concerns that building debt payment matching into the automatic eligibility cohort would make the scheme too complex to deliver in or around the proposed timeframe, while also diluting the impacts of the DRS objective to reduce the levels of domestic debt and arrears in the energy sector.

This welcome automation would also reduce – though importantly, not remove (as the working paper suggests) – the need for suppliers to carry out income and expenditure (I&E) assessments as part of this phase, which should in theory lead to simpler implementation and delivery. However, the "disengaged" customer cohort may find themselves having an I&E assessment carried out as a result of steps taken to evidence the engagement criteria in Phase 1. We comment on concerns about the consistency of energy suppliers' current abilities to set affordable, sustainable repayment plans in response to question 4.

"Disengaged" customer cohort

We note that Ofgem has so far proposed that "disengaged" customers would have to demonstrate a level of re-engagement with their suppliers, including responding to supplier contact, providing relevant account information (e.g., a meter reading), and discussing at least one of the following: a repayment plan (for non-DRS eligible debt); smart meter installation; use of the Fuel Direct Scheme; or accepting a signpost to a debt advice service.

While we recognise the motivation behind Ofgem's emphasis on engagement, each of these options is problematic and we believe Ofgem should reconsider the merits and structure of its proposed engagement condition, namely "demonstrating a commitment to resolving debt sustainably". This upfront obligation could present barriers for those in energy debt who are often in desperately difficult financial situations and face high barriers to engagement, and risks drawing a line between those 'deserving' and 'undeserving' of support that will reward those who face the lowest barriers to engagement and exclude those who face the highest barriers but most need support.

Engagement is a relational challenge that must be solved through sustained activity over time, including continued improvements to suppliers' engagement and debt collection practices, and cannot be achieved effectively through the shortcut of conditionality. We welcome further clarity from Ofgem on the evidence base it is drawing on to infer that the proposed engagement criteria would lead to sustained engagement between, and constructive outcomes for, customers and suppliers.

While we would expect a considerable number of MTB eligible customers not already engaging with their supplier to do so in response to well-designed communications about the

[4] National Audit Office and the Department for Energy Security & Net Zero (2024), Energy bills support: an update

DRS (due to the clear benefits of doing so and desire not to miss out on energy debt write-off), we note that many in this cohort could face barriers to engagement. They are likely to be worried about making ends meet, anxious about interacting with their supplier because they have limited or no ability to make any repayment due to extremely restricted budgets, and are often experiencing stigma and feelings of judgement and embarrassment about their situation. Financial difficulty is closely associated with mental health problems which compound barriers to engagement, while many people receiving MTB are experiencing additional challenging life events which further complicate their ability to engage with support.

Conditionality also risks undermining the effectiveness of communications about support. StepChange research has highlighted that communications from financial services firms to those in difficulty often trigger strong negative emotions and pessimistic views on how creditors will respond to requests for help.[5] Ofgem itself has drawn attention to similar evidence in good practice guidance for energy suppliers.[6] If framed well, the offer of debt write-off is likely to encourage enhanced levels of engagement because it will reduce financial pressures and build trust. However, conditionality of debt write-off on pursuing debt repayment options will undermine that goal by triggering anxiety, uncertainty and fear for many customers.

For the reasons outlined above, as well as to facilitate the simplicity of Phase 1 scheme delivery, we would encourage Ofgem to consider the inverse approach to engagement – whereby *all* customers on MTB with eligible debt receive automatic write-off, alongside widespread, carefully designed efforts by suppliers to engage customers in energy debt. Given that Ofgem has already recognised that being in receipt of MTB is a readily identifiable and effective (though not all-encompassing) affordability proxy, we believe that this is a sensible, more inclusive approach. We also see this as a more effective way for Ofgem to meet the proposed scheme objective of facilitating improvements in the culture of debt management and provide an opportunity to build relationships between consumers and their suppliers – as conditionality might breed reservations and distrust among some customers in financial difficulty. We recognise that conditionality would be more likely to play a part in Phase 2 of DRS rollout, where a readily identifiable affordability proxy such as being in receipt of MTB is less likely to be available.

However, should Ofgem proceed with the proposed approach outlined in this working paper, rather than removing conditionality requirments under Phase 1 as we have recommended, it is vital that it designs both phases of the DRS in a way that mitigates the fundamental risk of people most in need missing out on support. Noting the concerns raised above, we are nevertheless pleased that it appears Ofgem is proposing that customers would only have to demonstrate interaction with *one* of the determined engagement options, as opposed to a

[5] StepChange (2022), Mixed messages: Why communications to people in financial difficulty need to offer a clearer, better route to help
[6] Ofgem (2022), Good practice for supporting customers in payment difficulty

combination of actions – and, if conditionality remains a feature of Phase 1, we strongly believe that this approach should be retained. There should not be scope for discretion between suppliers with regards to which engagement options are pursued; instead, this should be guided by individual customers' preferences and needs.

We also believe it is sensible that Ofgem has framed the engagement action criteria around a customer "discussing" options with their supplier, rather than necessarily adopting the measure in each case. This reflects a relatively low threshold for eligibility (compared to having had to fully action any of the engagement options) and reduces – though as discussed, doesn't remove – barriers to scheme access. We have concerns that overly restrictive conditionality – for example, only deeming someone eligible for the DRS if they agreed to and proceeded with smart meter installation, as opposed to having a conversation about this option – could counterproductively cause people to drop off due to a perceived lack of flexibility.

We would urge Ofgem to continue considering how the scheme can be designed with safeguards which ensure those in the most precarious financial situations – especially those living with negative budgets – do not lose out on support. This reinforces why, if conditionality is to remain a feature of Phase 1, we believe that "discussing" the engagement options should facilitate scheme eligibility, rather than necessarily taking them up within a prescribed timeframe – as this could exclude those in the most financially vulnerable positions who might not, for example, be in an immediate position to contribute to ongoing consumption or agree to an affordable repayment plan.

In the case of the proposed repayment plan engagement option, for the reasons outlined in the above paragraph we still believe that a "discussion" should suffice to meet scheme eligibility – but appreciate that this conversation would ideally progress to the stage where an affordable repayment plan was agreed with the customer if they were in a position to contribute. The key word here is affordable: it is of paramount importance that arrangements with suppliers are truly sustainable, a trend we have unfortunately not consistently observed.

With regards to the debt advice signposting option, it is important for energy suppliers to understand the different services provided by the range of organisations in the debt advice sector, and reflect this in the conversations they have with potentially eligible customers. Understanding more about a customer's circumstances and their capacity to deal with the situation will help the supplier to identify the right organisation for their circumstances. We elaborate on this more in response to question 4.

If Ofgem proceeds with the current proposals, it must also have measures in place for the "disengaged" customer cohort to ensure that customers who have recently engaged with debt advice – for example, having undergone an I&E assessment – ahead of supplier contact about the DRS are taken as having met the required engagement criteria. Here, we would emphasise that some people in problem debt will be more open to engaging with an external third-party provider than with their energy supplier, particularly if they have previously had negative experiences with them.

We would also reinforce the potential fraud risks associated with the delivery of a wide-scale financial support scheme which requires consumer action, a point we raised in response to the initial consultation. Firstly, Ofgem must be cognisant of the likelihood that fraudsters may maliciously take advantage of the rollout of a debt relief scheme and attempt to scam consumers seeking financial support – a trend observed during the Covid-19 pandemic.[7] Secondly, there is a challenge that perceptions of the risk of fraud among certain groups, including older individuals, might act as a barrier to their engagement with the scheme.[8]

It is therefore vital that consumer facing communications relating to the DRS – whether from Ofgem, suppliers, or other stakeholders – are designed in such a way as to mitigate these risks. This is especially true concerning the proposed "disengaged" customer cohort, where Ofgem is considering requiring suppliers to make proactive contact with potentially eligible customers to provide them with information regarding the scheme and offer a route to engage to qualify for scheme support. Ofgem must also carefully consider how it can frame communications to enhance consumers' understanding of the scheme, its eligibility criteria and the steps potentially eligible customers might need to take to access support.

Question 4: Are there any improvements that could be made to existing processes or rules to make the scheme more effective – e.g. to the Fuel Direct Scheme?

We have laid out some recommendations below for how improvements could be made to existing processes or rules relating to proposed engagement conditions, if this is to be pursued in final scheme design, to make the scheme more effective.

<u>Suppliers' approaches to income and expenditure assessments and repayment plans</u>

We are currently not confident about the consistency of suppliers' ability to set affordable, sustainable repayment plans. StepChange debt advisors continue to report harmful billing and debt management practices, including suppliers putting undue pressure on customers to accept unsustainable repayment rates or rejecting more affordable offers. With that in mind, we do not agree with Ofgem's statement in the working paper that:

- *"Use of MTB eligibility as a proxy for income and expenditure assessments will also reduce the need to scale up supplier operations in this area between now and early 2026."*

Given that under current proposals, "disengaged" customers will have to demonstrate a degree of "re-engagement" which might include discussing a repayment plan (for non-DRS

[7] 2 National Crime Agency (2020), Beware fraud and scams during Covid-19 pandemic fraud and UK Finance (2020), UK Finance reveals ten Covid-19 scams the public should be on high alert for
[8] Age UK (2024), Scams Prevention and Support Programme Report: Empowering Older People in a Fraud Epidemic

eligible debt) with their supplier, and that these conversations will likely be focused on securing this arrangement – even where this isn't required for a customer to meet scheme eligibility criteria – work to improve the quality of suppliers' approaches in this area should not be deprioritised. What's more, driving up the consistency of suppliers' ability to establish affordable repayment arrangements should be a focus irrespective of whether these conversations are happening as part of the DRS delivery or otherwise.

Responding to Ofgem's earlier consultation on improving debt standards in the domestic retail market, we welcomed the regulator's previous proposal to introduce new rules requiring suppliers to use, where possible, a Standard Financial Statement, Common Financial Tool in Scotland, or equivalent standardised approach when understanding ability to pay and setting repayment rates.[9] For customers in financial difficulty, there should not be room for suppliers to argue that repayment plans are 'suitable' without evidence from a robust affordability assessment which also takes account of other debts where applicable. It is also critical that suppliers ensure that their staff are well trained to support customers struggling with energy bills and deal empathetically with challenging situations.

We were disappointed to see this intervention deprioritised by Ofgem after the initial debt standards consultation period, with a voluntary code of practice instead now being explored in place of more concrete interventions to tackle problems in the debt pathway. It remains our view that Ofgem must act urgently and proactively to strengthen its requirements on suppliers around standardisation of ability to pay assessments, and that waiting till the rollout of Phase 2 of the scheme would be a belated, likely harmful move. We believe urgent intervention in this area would contribute to enhanced outcomes for both customers and suppliers, on the basis that repayment plans would be more sustainable and therefore less likely to fail.

Fuel Direct Scheme

Ofgem notes that use of the Fuel Direct Scheme could be one of the options discussed to meet proposed engagement eligibility criteria. Fuel Direct involves attaching automated deductions to means-tested benefits and should be used carefully and with appropriate safeguards. Customers should not be moved onto a Fuel Direct payment without consent and an objective affordability assessment to confirm a deduction from benefits is affordable.

Ofgem has previously highlighted that the number or customers on Fuel Direct has fallen significantly since the mid-1990s.[10] The deductions system has changed significantly since that time, particularly with the introduction of UC when the scope of the deductions system expanded to a wider range of debts – including UC advances and the increasing use of sanctions where repayment may be prioritised over Fuel Direct.[11] Suppliers may also, often

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[9] StepChange Debt Charity (February 2025), Response to Ofgem consultation on improving debt standards in the domestic retail market
[10] Ofgem (2024), Improving debt standards in the domestic retail market
[11] Deposited paper: Deductions Priority Order v7 / UC, PIP, JSA & ESA (C&P) Regulations, Schedule 6 / ADM Chapter D2: Third Party deductions UC, JSA & ESA

with good reason, be more cautious about using deductions where these may not be affordable to the customers affected.

As a general principle, people who receive benefits should not be subject to a different, lower standard of debt protections than those who do not receive benefits: deductions should not be used as a shortcut to debt collection without full consideration of affordability. Past StepChange research has shown that third party deductions from benefits to repay energy debts like Fuel Direct, which are made at a fixed rate, are often unaffordable and contribute to hardship, desperation borrowing and debt problems.[12] As such, it is important that Ofgem thinks carefully about the role of Fuel Direct and responsible use of a mechanism that can take control and decision-making out of the hands of customers in financially vulnerable situations.

Fuel Direct can be useful where a supplier has undertaken a robust affordability assessment and the deduction amount for arrears is affordable, or where a customer has consented to an affordable deduction for ongoing costs. Fuel Direct should not be used where a supplier has not undertaken a robust affordability assessment, or where it has and a customer cannot afford any repayment amount. Deductions from benefit entitlements should not be taken lightly or without a claimant's consent can leave them unable to meet essential costs or other priority debt repayments.

Ofgem can help ensure Fuel Direct serves a responsible purpose by putting in place a clear protocol of steps suppliers must take before applying for a deduction, including an affordability assessment and, if a customer is not engaging with them, safeguards aligned with mandatory PPM protections. Suppliers should also have arrangements in place for periodically contacting customers to check a Fuel Direct arrangement remains appropriate, and easily accessible routes for customers to contact them to stop or revise a Fuel Direct arrangement if their circumstances change.

<u>Smart meter installation</u>

We would reinforce the points made in response to question 3 around the pitfalls of imposing overly restrictive conditionality on the scheme eligibility criteria, and how "discussing" an option should remain as the action which constitutes eligibility if conditionality is to remain a feature of scheme design. The implications of this are clear with regards to smart meter installation, where research has identified a number of barriers to uptake, including awareness, consumer perceptions and inertia.[13]

We strongly believe it should be possible for a customer in energy debt to have an informed conversation with their supplier about the prospect of smart meter installation, and for the outcome of this discussion – namely, whether or not they decide to proceed with installation – not to affect their eligibility for DRS support.

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[12] StepChange (2017), Third party deductions briefing

[13] National Energy Action and Energy Action Scotland (2021), Maximising the smart meter rollout for prepayment customers

Debt advice signposting

We note that one of the engagement pathways being explored is a customer accepting a signpost to a debt advice service. We welcome that this framing indicates a relatively low threshold for eligibility – compared to, for example, someone having to go through a full I&E assessment from a debt advice provider. We recognise that the latter is more likely to be the case for non-MTB recipients under Phase 2 of the DRS, whereas Ofgem is proposing that a person being in receipt of MTB be used as a proxy for affordability challenges under Phase 1.

Though this relatively low barrier to entry is encouraged, we would nevertheless stress the importance of ensuring this signposting is carried out in an effective (rather than passive) manner. This should be supported by the work Ofgem is currently doing in collaboration with StepChange and the Personal Finance Research Centre (PFRC) at the University of Bristol around improving debt advice referral pathways for energy consumers.

We note key elements of an effective referral pathway from PFRC's earlier *Joined up* report in partnership with StepChange include:

- Clients' referral needs are identified in the first place.
- Clients understand where they're being referred and why.
- Clients are referred at the right time for them.
- Referrals are smooth and effective.
- Clients are referred to relevant organisations.
- Using feedback loops to improve referrals.[14]

StepChange has worked hard to build proactive and constructive relationships with many energy suppliers over time, engaging with them on referring their customers in financial difficulty. Referral volumes from energy suppliers have increased exponentially in recent years, with them becoming the largest referrers to the charity in 2023. Referral mechanisms must be effective for consumers and support organisations to ensure the best outcomes; in a time of incredibly high demand, the necessity of this could not be clearer.

While the relationships that StepChange has established with a number of energy suppliers have been fruitful in many ways, this sharp increase in referral volumes has exposed some challenges. We unfortunately continue to see many cases where an energy supplier has inappropriately directed one of its customers towards StepChange, misrepresenting the services we can provide. The experiences indicate that suppliers are not always thinking hard enough about why they refer to debt advice and whether it's appropriate to do so, and hence what a customer's needs are and whether the firm can (and should) meet them itself.

These unsuitable referrals lead to frustration for those referred, and erode the capacity of providers like StepChange to meet demand for debt advice, which continues to outstrip supply. Therefore, it is important that any debt advice signposting carried out as part of the

[14] University of Bristol PFRC (2023), Joined-up: Supporting debt advice clients through strong referrals partnerships

DRS delivery is made through an outcomes-focused lens which truly aligns with the proposed Ofgem scheme objective to facilitate improvements in the culture of debt management and provide an opportunity to build relationships between consumers and their suppliers.

A focus on effective signposting will reduce poor advice journeys for energy customers and enable organisations like StepChange to make sure that our resources are channelled appropriately and that we continue to be a more efficient provider for our partners. Signposting should not be seen or communicated as a tickbox exercise; instead, it should be framed sensitively and accurately, so it can properly serve as a key opportunity for a person in financial difficulty to begin to tackle their debt.

Question 2: Are there any alternative engagement pathways that customers could choose to demonstrate a commitment to resolving debt sustainably?

We have explained why we have reservations about Ofgem's proposed approach to conditionality and its framing of "demonstrating a commitment to resolving debt sustainably" as an appropriate engagement condition ahead of receiving financial support. Ofgem's own work and vulnerability definition acknowledges that "consumers in vulnerable situations are significantly less likely to be able to engage with their supplier and protect or represent their own interests" (December 2024 Debt Standards Consultation, para 2.19).[15]

This noted, if Ofgem proceeds with its proposed approach, it is vital that it designs both phases of the DRS in a way that mitigates the fundamental risk of people most in need missing out on support due to engagement requirements. We would reiterate that we want to see Ofgem maintain the lowest possible threshold for engagement as warranting inclusion into scheme eligibility and that it should reconsider the need for that conditionality at all.

If it is to go ahead with conditionality built into Phase 1, Ofgem should widen engagement options to reflect reasonable steps consumers may take. For example, we know that the fuel poverty charity National Energy Action – which offers advice services for people struggling with energy costs – has said it should be considered for inclusion in the group of organisations suppliers could signpost to as part of the DRS engagement pathway. This could be a sensible addition – on top of debt advice signposting – given that the regulator's own research has also shown that consumers are more likely to trust consumer groups and charities, telling Ofgem that they are understanding and nonjudgmental about the situations consumers find themselves in.[16]

Other options that Ofgem could consider as signifying engagement include:

- A customer's account showing evidence of payment intent, such as failed direct debits or declined payments, which signal an attempt to repay.

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[15] Ofgem (2024), [Improving debt standards in the domestic retail market]

[16] Ofgem (2024), [Consumers' experiences of debt and affordability support from suppliers]

- A customer taking a meter reading after contact from their supplier relating to DRS support.
- A customer responding to DRS communications, such as opening emails, clicking links, or calling helplines.

We believe that there should also be clear exemptions from the engagement condition for the proposed "disengaged" cohort where people are in certain, vulnerable circumstances (for example, where the person has accrued debt before/during a long period in hospital, has been placed into care or is receiving hospice care, or is receiving end of life care at their home address). Ofgem should also provide suppliers with wide discretion to wave any engagement conditions, as it will not be possible to capture all such situations with specific criteria. We are happy to expand on this in response to the upcoming statutory consultation.

Section Two: Supplier reimbursement – methodology

Ofgem welcomes stakeholder views on:

1. Which of the three options is preferred?

2. Whether 5% is a reasonable value for Customer Contributions (including debt displacement) or do you have an alternative methodology for assessing this value?

3. What data does Ofgem need to help inform this decision?

4. Preferred methodology for calculating reimbursement rate?

5. Whether under a hybrid or supplier by supplier model we should set a single rate for each supplier, or a rate for each supplier by payment type?

6. Is Pay When Paid with Third Party Assignment Rights the appropriate methodology for reimbursing suppliers?

StepChange does not have the relevant data or expertise to pass comment on these questions, which appear to be geared primarily towards industry respondents. However, we would emphasise how crucial it is to get the supplier reimbursement mechanism right in the first instance, in the interest of financial resilience in the energy market and noting that the costs of the scheme delivery will likely be spread across all customers.

We would also welcome further clarity on where the 5% figure presented as a reasonable value for Customer Contributions (including debt displacement) has emerged from.