

Business, Energy and Industrial Strategy Committee

Oral evidence: Energy pricing and the future of the
energy market, HC 1130

Tuesday 19 April 2022

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Members present: Darren Jones (Chair); Tonia Antoniazzi; Alan Brown; Richard Fuller; Paul Howell; Mark Jenkinson; Andy McDonald; Charlotte Nichols; Mark Pawsey; Alexander Stafford.

Questions 311 to 407

Witnesses

[III](#): Jake Brown, Chief Executive Officer, Avro Energy.



Examination of witness

Witness: Jake Brown.

Q311 **Chair:** Welcome, Mr Brown. Thank you for coming to give evidence today. We appreciate it. You will have just heard from the last session that we are trying to get to an understanding of why companies like yours, Bulb and many others failed, and ultimately why that is costing bill payers and taxpayers the significant sums of money that they are having to pay today.

One of the key questions is whether there should have been a stronger fit and proper person test for people wanting to start energy companies. I understand that you were a university student studying law at the University of Birmingham, and you decided to start your energy company. I am interested to know why you think you were qualified to do that.

Jake Brown: I think there is a lot of diversity in the industry. People have come from all different backgrounds. There are some companies that are still succeeding now—still trading now—whose founders don't come from an energy background. A lot of the problem with energy previously was that it needed people to take a bit of a different view on it. Consumers weren't happy, and bills were high. I know we are talking about high bills now, but bills were high back then. That is the way I saw it: that it was an opportunity to try to bring technology into a business and develop it from there.

Q312 **Chair:** Why did you feel qualified to take this technology-led approach? I don't wish to suggest that young people can't start businesses, but you were in the middle of your undergraduate law degree. What made you feel like you were qualified?

Jake Brown: It wasn't until I had actually finished at uni that I started Avro. I suppose there is not a degree that you can take in energy supply. It is a bit of a process that you learn as you go on. If you look at our results over the five years, I think we were profitable for four out of five. That is probably best in class, outside the larger incumbents that have been established for decades.

Q313 **Chair:** Presumably you went through the same process as Mr Wood, where you had to submit paperwork to Ofgem, the regulator, to substantiate why you felt you were fit and proper to run an energy company.

Jake Brown: I do not believe I have ever done a fit and proper test with Ofgem.

Chair: You didn't?

Jake Brown: I don't believe so—unless Ofgem did a background thing on me. I don't remember ever filling anything in specifically.

Q314 **Chair:** Okay. How much of your own personal capital did you put in to start the business?

Jake Brown: Around a quarter of a million pounds.

Q315 **Chair:** And you had earned that personally?

Jake Brown: No, it was family money that was loaned to me.

Q316 **Chair:** And how much personal wealth have you created out of running the business?

Jake Brown: I wouldn't know, to be honest. I wouldn't want to put a figure on it in a public forum.

Q317 **Chair:** Okay. You received an annual salary, presumably, when you were CEO?

Jake Brown: I wasn't paid directly by Avro, no.

Q318 **Chair:** You weren't paid a salary as the director of the company?

Jake Brown: No.

Q319 **Chair:** Were you paid any performance-related bonuses?

Jake Brown: No. I essentially worked for a management company that charged a fee to Avro. I work as a management consultant to a number of companies.

Q320 **Chair:** Why did you structure it in that way?

Jake Brown: As I say, I worked for a number of different companies, so that was—

Q321 **Chair:** Do you not feel that being the CEO of an energy company is a full-time job?

Jake Brown: When I say that I worked for a number of companies, they were related with software and different bits and pieces as well. It is all interlinked, really.

Q322 **Chair:** What was the management consultancy fee that Avro paid the company that you worked for?

Jake Brown: It varied as the company grew. I think the latest figure was around £250,000 per month.

Chair: Per month?

Jake Brown: That was not just for me, obviously. It was for a team of key management personnel.

Q323 **Chair:** How many?

Jake Brown: About six.

Chair: Six people. That is a lot of money.



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Jake Brown: As I say, looking at all indicators, the business was performing well. In 2020, the company made a profit of £30 million, after paying those management fees.

Q324 **Tonia Antoniazzi:** The collapse of Avro will cost consumers up to £700 million—£80 million of which you owe to your customers, while you owe £56 million to Ofgem—as well as leaving you 580,000 customers vulnerable to significant price increases. Can you start by explaining how Avro got into that position?

Jake Brown: Regarding customer credit balances, the £90 million that is being talked about is a headline figure. At the time of administration, Avro was owed £45 million by customers on the other side of it. There was also £47 million of what we call accrued income.

Q325 **Tonia Antoniazzi:** Do you dispute that £90 million?

Jake Brown: No, that is a figure that was owed to some customers; however, there is another pot of customers, on the other side, which totals £92 million, so it depends how you look at it. The accrued income that I'm talking about would be taken off that credit balance figure, which a lot of customers had.

Just so everyone is clear, what I mean by that is that if a customer receives a bill on the 30th of each month, on the 25th there is an amount that they have used throughout those 25 days that has not yet been billed for, so the credit balance they see on their account is not a daily accurate reflection.

Q326 **Tonia Antoniazzi:** Did you just see an opportunity to make your millions?

Jake Brown: Not at all. Looking at the growth of the company, when we got into 2020 the company made a £30 million profit, which was really good. A number of companies approached us then about selling the company. However, a couple of those sale offers would have involved all staff losing their jobs and those jobs being restructured out, potentially overseas, so we made a decision to not sell the company. That was part of the decision we took.

We also had an offer from a large international trading company to invest in Avro in the summer of 2020, but as a board we really did not see any need for the money; we were not pursuing any M&A activity, looking at buying any other companies or anything. Essentially, there was nothing for us to spend the money on at that point, so we turned that down also.

Q327 **Tonia Antoniazzi:** We heard from the chief executive of Bulb, who said about them having to do financial resilience checks with Ofgem. Is that when you realised it was going pear-shaped?

Jake Brown: We always engaged as well as we could with Ofgem. We worked well with them for several years. We had a couple of issues over the years—one of them was well documented, around smart meters. We worked with them to resolve it.

The financial resilience stuff, I think, came in initially as part of the issues some companies were facing around covid. Until the gas prices went through the roof, we had not really had any issues financially. We had never been late on any industry payment or anything like that previous to the summer of 2021.

Q328 **Paul Howell:** Hi, Jake. Going back to the funding of the business and everything, you said you had put in some money from family loans. Can you remember what the figure was you said?

Jake Brown: About a quarter of a million pounds.

Q329 **Paul Howell:** About a quarter of a million, but from there on in, there was no equity investment. It was all just—if you like—running from customer accounts and working capital. Is that correct?

Jake Brown: As I say, the company was self-sufficient, so for four out of the five years, it was profitable. It did make a significant loss of around £28 million in one year, but the majority of that loss can be accounted for against what we were spending on customer acquisition at the time.

The way we accounted for customer acquisition was on the day of the sale, rather than spreading it across the period of the contract. If someone signed a contract with us on day one, we would obviously be paying a commission out to wherever that sale came from. We would account for it at that point, rather than spreading it over a 12-month period or however long the contract with the customer was, which obviously means that initially, you could see a loss at that day one point, but then you've got the revenue coming further down the line.

Q330 **Paul Howell:** That is why, effectively, you had a £28 million loss one year and—I know they are unaudited accounts—you are claiming £30 million profit the following year.

Jake Brown: Recouped it back, yeah.

Q331 **Paul Howell:** Is that one of the prime reasons for that? You saw the benefit in the second year?

Jake Brown: Exactly, yeah.

Q332 **Paul Howell:** But you still did not see that there was any need for equity to support the business.

Jake Brown: Like I say, in the summer of 2020 we had offers, but for us there was nothing really that I could see us spending the money on; we would just have been keeping the money in the bank. In hindsight, now, obviously it would have been something we'd look to do, but everything is a lot easier with hindsight.

Q333 **Paul Howell:** It always is—it is 20/20 vision, hindsight—but given that from 2017 until your administration in 2021, combined operating losses were nearly £54 million, was the business strategy ever realistic, given that you were consistently offering tariffs below the price cap? You were always in a position to—



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Jake Brown: I am not sure where that £54 million has come from. For the last audited accounts, which finished in June 2020, the balance sheet was between £2 million and £2.5 million.

Q334 **Chair:** Those haven't been published, have they?

Jake Brown: They are published with Avro Group.

Q335 **Chair:** And they have been audited.

Jake Brown: Yes.

Chair: Okay. Paul?

Q336 **Paul Howell:** That is okay, Chair. I do not think we have seen them yet.

Just from the conversation we have had so far, you invested £250,000, but you said that £250,000 a month was being paid to your management consultancy. If that is for six people, simple maths tells me that that is £500,000 a year you are getting—if you are all getting the same amount. I would suggest to you that you might be getting more than the average amount for those. It seems a lot of money that is coming out of a business that has not really got its feet yet.

Jake Brown: I would probably disagree with that.

Q337 **Paul Howell:** The maths, or the concept?

Jake Brown: The concept of what you are saying: that it had not found its feet. In 2020, it made a profit of £30 million, and you are paying a management team £3 million a year. It does not seem excessive to me, and it did not seem excessive to any auditors that ever looked through the company accounts.

Paul Howell: I have to say that in any business I was in, we liked to get more than one swallow before thinking we had a summer when you could pay those sorts of moneys—not that we paid those sorts of moneys. I find that difficult.

Q338 **Chair:** We have not seen the 2020 accounts, so we should maybe look at them, but the figure that Mr Howell referred to—the £53.8 million of combined operating losses between 2017 and the latest accounts we have seen—is from the published accounts. From our perspective, we see a business making a loss of around £54 million a year, a founder who has injected about—

Jake Brown: I'll be honest; I am not—

Chair: Let me finish my question. A founder who has injected £250,000 to start up the business, trading off customer balances to grow the business, and then paying a management company £250,000 a month to run the business. We look at lots of businesses, and that is very unusual. Do you recognise that?

Jake Brown: I agree with what you are saying from that point. I am not sure where this £54 million figure comes from; I have not—



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Q339 **Chair:** I have just told you: we looked at your accounts. Those are the combined operating losses between 2017 and the last set of accounts.

Paul Howell: They would be your carry-forward losses, I would guess.

Jake Brown: I will have to look at that. I do not necessarily agree with that, but—

Chair: It is in your public accounts. It is not something that you can agree or disagree with; it is what you have published.

Richard Fuller: Those are subsidiary accounts.

Chair: Of Avro Energy.

Jake Brown: Oh, okay.

Q340 **Chair:** We are talking specifically today about the energy company that has gone bust, which is the thing that lost £54 million. Do you now recognise that figure?

Jake Brown: In, I think it was 2019, the company lost £28 million, and before that it had always been profitable, so I am not really sure—

Q341 **Chair:** Well, it was taken from the administrator's reports of your accounts. You made a £30 million profit in 2020.

Jake Brown: They might be talking about up until the summer of 2021, which—

Paul Howell: No, the quarter up to September '21.

Jake Brown: Okay, fair enough.

Q342 **Chair:** Basically, it was a significantly loss-making business over a number of years—combined losses. The point here is that energy customers are now having to foot the bill for the fact that your business has gone bust, and you seem to have got off pretty lightly.

Jake Brown: I do not think that is the case at all. It is well documented in the press that I have had my fair share of things, I think.

Q343 **Chair:** You are content with that? You do not feel any sense of regret?

Jake Brown: Of course I feel a lot of regret. What happened to Avro was never anyone's intention; it was never in the thinking at all. As I say, in 2020 we had significant offers—far more significant than the numbers we are speaking about—to sell the company and dispose of it.

Q344 **Chair:** I want to ask about hedging and reporting, which are some of the issues in other businesses. In your 2019 set of accounts, you said that Avro—the energy supply company—“operates a hedging strategy to mitigate the risk of wholesale market movements”, which we would expect, but the administrator's report has said that there was a lack of any hedging instruments in respect of energy purchases, which left the company exposed. Who was right and who was wrong? Did you have



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hedges in place or not?

Jake Brown: At the point of administration, there were no hedges there.

Q345 **Chair:** Why?

Jake Brown: The reason for that is that we followed a hedging strategy where we tried to buy little and often, looking at opportunities in the market. Of course, you can always go out and hedge gas and power for a long period of time, whether it is 12 months or whatever you are looking to do, but if that price collapses, you do get a margin call on that, which is obviously very large and very quick.

Q346 **Chair:** I understand how hedging works, but I want to understand why you did not feel the need to hedge.

Jake Brown: At that point in 2021, we were in discussions with our trading partners, and we believed that Nord Stream 2 was likely to come online. However, that is now obviously not going to be the case—it did not come online. What I am saying is that we were concerned that Nord Stream 2 was going to come online towards the latter part of 2021 and collapse the price, and we would be faced with a massive margin call that we would not have been able to meet.

Q347 **Chair:** Who was advising you then?

Jake Brown: That is a decision we took based—

Q348 **Chair:** Who is “we”? You and who?

Jake Brown: The other management personnel.

Q349 **Chair:** Tell me who they are.

Jake Brown: I don’t know what you want me to do—personally name people?

Q350 **Chair:** No, but what is their experience? I am interested in why you came to that decision.

Jake Brown: On their experience, they had helped build the company from zero to—

Q351 **Chair:** What did they do before Avro Energy?

Jake Brown: I do not think it is relevant for me to come in here talk about other people’s lives.

Q352 **Chair:** It is very relevant because we expect company boards to have people who have a background as financial directors, or lawyers, or audit experts, or people who understand risk, in order to advise people like you when you have founded a business with little experience, so that you can make appropriate decisions for your shareholders and for your customers.

My question is this: who was advising you who had the relevant experience, so that you could make informed decisions as the CEO of



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Avro Energy?

Jake Brown: As I said, we were in discussions with our trading partners, which are commodities businesses that have traded gas and power and other commodities for a number of years. In markets that shoot up through the roof, it is often the case that they come down very quickly too. We have seen that before in the last five years.

Q353 **Chair:** And you just took those decisions? You had a discussion with a commodity firm and took the decisions, did you?

Jake Brown: Well, we had discussions with a number of trading partners, but I think that everyone has to be responsible for—

Q354 **Chair:** I am just trying to understand the methodology. Normally, you would have a board meeting; people would sit around the table and you would have papers. You would discuss those papers and you would have people from different backgrounds and experience. You would come to an informed decision, which you would minute and you would be able to share with whoever you needed to share it with.

From what you are telling this Committee, it sounds as if you were on the phone to someone who trades in gas and you took a decision about Nord Stream 2—

Jake Brown: Not specifically, but I think it's about looking at an overall position and forming what you think is the right position—

Q355 **Chair:** Who was on your board? You were CEO. You had a financial director?

Jake Brown: Well, we sort of outsourced that function, as I say—

Q356 **Chair:** You outsourced it? Who did you outsource it to?

Jake Brown: To the management company—the management fee company.

Q357 **Chair:** The one you were being paid by?

Jake Brown: Yes.

Q358 **Chair:** And who was the financial director of the management company?

Jake Brown: I would not really like to be naming—

Q359 **Chair:** You have to tell people that when you run a company. Who was the responsible accounting officer?

Jake Brown: It probably would have been Philip Brown.

Q360 **Chair:** And who is Philip Brown?

Jake Brown: He's also my father.

Q361 **Chair:** And what's his financial background? Was he an accountant?

Jake Brown: He's not been a finance director at an energy company previously, if that's what you're—



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Q362 **Chair:** He's been a financial director somewhere else, has he?

Jake Brown: He's worked in numerous roles, yes—some in finance, yes.

Q363 **Chair:** Right. You see the concern in my questions, right?

Jake Brown: Yes.

Q364 **Chair:** You have people who don't know what they're talking about making decisions about an energy company that has ended up with taxpayers'—

Jake Brown: I disagree when you say that we didn't have people who know what they're talking about.

Q365 **Chair:** It's very unusual compared to other businesses, don't you agree?

Jake Brown: I think the last company you had on never made a profit and made losses totalling over £350 million.

Q366 **Chair:** He had a board of people who were advising him. The people we had on at the start of the business were CEOs of big energy companies who had been financial directors and run big global businesses in the past. I am asking—

Jake Brown: Obviously, that experience didn't help them in the results they were producing.

Q367 **Chair:** Well, those companies are still viable, Mr Brown, and yours isn't.

My next question is on your accounting period. I understand that when you were due to file accounts—the last set, which I referred to earlier—you changed the reporting date at Companies House. Why did you do that?

Jake Brown: I think it was a case that we were—that was just what we were advised to do.

Q368 **Chair:** By who?

Jake Brown: We were going through an audit still; I don't think we were going to complete that in time.

Q369 **Chair:** You extended it by one day.

Jake Brown: Yes, essentially, just to get an extension with Companies House.

Q370 **Chair:** An extension of the three months. Who advised you to make that change to your reporting date?

Jake Brown: I think it was our accountants at the time.

Q371 **Chair:** Who were your accountants?

Jake Brown: A company called Pattinsons.

Chair: Pattersons?



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Jake Brown: Pattinsons. Together with our auditors, Azets.

Q372 **Chair:** Okay. And you say that those accounts have now been audited and published?

Jake Brown: Yes. They are published on the group company home.

Q373 **Alan Brown:** Earlier on, in a response to Paul Howell, you said that the £500,000 salary a year was commensurate with a company that had made a large profit. Were these salaries also getting paid in the loss-making years?

Jake Brown: They were, yes. Not to that level, obviously; it was a fee that was reviewed each year, as the company grew.

Q374 **Alan Brown:** It was high salaries, come what may?

Jake Brown: I suppose they are what you would class as high salaries, yes.

Q375 **Alan Brown:** In 2018-19, when Avro made the operating loss of £28.1 million, Avro also paid £2.25 million to Sentido Marketing Ltd, a company also owned by you and your father. Avro provided an £830,000 loan to Berkeley Swiss, a company owned by you and your father. And alongside these payments, you took £164,000 as loans directly from Avro. What were those payments for and how can they be justified, given that Avro made a significant loss and you have already admitted that you were already getting paid a high salary as well?

Jake Brown: Obviously, we have touched on where that loss came from. There is a point where, when you are going through a big period of customer acquisition, you will pay a commission up front for that customer—

Q376 **Alan Brown:** Okay. If we can just stick to the payments, though—why these payments were made.

Jake Brown: Sure. I think we have discussed the management fee one already with Sentido Marketing, I think.

Q377 **Alan Brown:** If you're getting a high salary, why do you need this management fee as well?

Jake Brown: That's where the salary came from, and that's Sentido Marketing.

On the Berkeley Swiss loan, we made a decision to purchase an old commercial building, which we planned to turn into a new headquarters for Avro and the group. However, on consulting with local planners, it was deemed that the parking was not going to be acceptable, so we disposed of the commercial building and the loan was repaid.

Q378 **Alan Brown:** That loan was repaid fully calculable?

Jake Brown: In full, yes.



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Q379 **Alan Brown:** So Avro did not lose a penny on that deal?

Jake Brown: No. Obviously the same with the directors' lines; they are all fully repaid.

Q380 **Alan Brown:** In a similar vein, on the payments to Sentido in 2018-19, at that time there were only three employees and by 2019-20 there were no employees. In 2019, more than £550,000 was loaned by Sentido to you and your father. In 2020, you took more than £970,000 as loan. Why did you need that money? Was Sentido ever actually a real trading business or a means to funnel money from Avro as it was going down the tubes? Or are you going to tell us that all that money was repaid fully to Avro as well and that bill payers will need to pick up the tabs for any of that?

Jake Brown: As I said, the company Avro made a significant profit. It was not as if we had massively ramped up the fees we had charged in that year. It was consistent.

Q381 **Alan Brown:** Why did you need the loans?

Jake Brown: To me personally?

Q382 **Alan Brown:** Yes, or to Sentido.

Jake Brown: I invest. As I said, I work in other industries as well, not just energy.

Q383 **Alan Brown:** Why would a failing company give loans to another company for that other company to invest that money? That is clearly taking money from Avro and diverting it somewhere else for you potentially to make a profit on elsewhere.

Jake Brown: Are you talking about loans to me personally from Sentido or are you talking about loans?

Q384 **Alan Brown:** You explain how it works, because Avro gave loans to Sentido, which is owned by you and your father. You said you used that money for investment.

Jake Brown: Yes, and all those loans would have been repaid in full.

Q385 **Alan Brown:** You said you used these loans for investment elsewhere.

Jake Brown: I thought that what you were talking about was personal loans to myself from Sentido.

Q386 **Alan Brown:** With the loans to Sentido from Avro.

Jake Brown: They would have been fully repaid, you know what I mean, it is conducted—

Q387 **Alan Brown:** It will be clear in accounts that were published that all that money has been repaid?

Jake Brown: Yes, yes. I do not know where this comes from, but any loan that is taken would have to be repaid as part of any administration anyway.



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Q388 **Alan Brown:** Or it can be a credit. That could be money owed as the company goes into administration, which is one of the reasons it went into administration.

Jake Brown: That was not the case; it was fully repaid.

Q389 **Chair:** Just to be clear here, we have taken these from the accounts that are publicly available. You and your father were given personal loans by Sentido Marketing: in 2019, more than £530,000 and in 2020, more than £970,000. Those were personal loans from Sentido to you and your father. That is correct, right?

Jake Brown: If that is what it says, yes, that is correct.

Q390 **Chair:** Why?

Jake Brown: Again, I do not think I need to discuss why I would take a personal loan from a company that is under my control in a public forum.

Q391 **Chair:** The reason I mentioned it, Mr Brown, is because, normally, when a CEO runs an energy company, they are an employee of the energy company. They get paid a salary, they pay tax on their income and they might get a performance-related bonus. That is normally how it works. You have come to us today to say that you had set up Sentido Marketing as a management consultancy company, which you outsourced the leadership of Avro Energy to, and money was then paid to that company. That company then gave you personal loans, but you are not willing to tell us what those loans were for. Was it for your day-to-day spending?

Jake Brown: I just do not think it is necessary for me to comment on that in a public forum that is designated to energy pricing. I am not really sure what relevance that has.

Q392 **Chair:** It is about financial reporting and risk management and how the regulator has oversight of energy companies and the use of customers' money. Ultimately here, you have an energy company that is loss-making and you have used customers' money to pay your management consultancy firm, which has given that money to you as a personal loan. So you have ended up with customers' money and you are not willing to tell this Committee what you spent it on.

Jake Brown: I do not think it was a loss-making business.

Q393 **Chair:** It was, I just told you it was based on your accounts.

Jake Brown: For four years out of five, it was profitable.

Q394 **Chair:** My question is what are you doing with customers' money?

Jake Brown: What was Avro doing with customers' money?

Q395 **Chair:** No, you, personally, Mr Brown.

Jake Brown: I have not touched any customers' money.

Q396 **Chair:** You have, it is in your accounts.



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Jake Brown: I can assure you I have not touched customers' money.

Q397 **Alan Brown:** Can I come back? What I cannot understand, despite asking these questions, is why the loan was required and what the money was used for. But then, how were you able to access such large sums of money to pay Avro back? As Avro was going down the tubes, why would you be returning loans of £970,000? What is in it for you to pay that money back?

Jake Brown: I would not operate on the basis of not paying it back—I would not do that. I am more than happy for you to contact any administrator at Avro Energy, and I am sure they will—

Q398 **Chair:** It is not about Avro Energy, Mr Brown. It is about your company, Sentido Marketing, which has not gone bust. That is where the customer's money has ended up.

Jake Brown: I completely disagree with that.

Chair: You cannot disagree with that because it is in your accounts. However, we need to move on because of time.

Q399 **Tonia Antoniazzi:** In June 2021 you were fined £30,000 by Ofgem for repeatedly failing to provide accurate and timely responses to requests for information. Despite that, in September 2021, Ofgem issued Avro with a provisional order to provide financial information, which it had originally requested in August 2021. I wondered why you show such disregard towards your licence conditions and fail to take the regulator's authority seriously?

Jake Brown: I think that is quite unfair. You are correct in saying that we had a fine for completing RFIs a few days late. We obviously accepted the fine and paid it. A lot of energy companies have been subject to fines over the years; it is not that we had any disregard for regulations or anything like that. We were late; we did not dispute it and we agreed.

Q400 **Tonia Antoniazzi:** Is that because you were not investing in staff to be able to return those information requests? Is it because you were not putting the money into the company to get that work done?

Jake Brown: No; it was poor performance by us—I would not disagree with that.

Q401 **Tonia Antoniazzi:** I will go on to something else in a similar vein that I know you have touched on. Energy suppliers have to establish a formal relationship with Citizens Advice, and what they told us was that you were incredibly unresponsive—there is a pattern here.

On 10 separate occasions from 2018 to 2021 they raised concerns with Ofgem about your company's potential breaches of licence conditions. That was as a result of your poor customer service. Again, why are you so unco-operative, especially with Citizens Advice, and why did you fail to take your customer service seriously? Is it a lack of investment?



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Jake Brown: I think that is quite unfair; on customer service we were regularly regarded as one of the top suppliers on Trustpilot. In the Which? independent survey, released in February 2021, we finished third; that is an independent survey that conducts reviews with customers across the energy board.

We always did have a strained relationship with Citizens Advice; I personally felt that it was a dysfunctional organisation. To give an example, I recall arguing with them for around two hours about whether a multimillionaire could afford to pay his energy bill.

Q402 **Tonia Antoniazzi:** Did other companies like yours find them dysfunctional, or was it just you?

Jake Brown: You would probably have to ask them.

Q403 **Tonia Antoniazzi:** Earlier, you said it was well documented that your issue over the smart meter roll-out was resolved. Octopus Energy supported claims of your rule breaking—basically. They told us that you were far behind on the roll-out, not giving customers guaranteed standards of performance payments, not properly back-billing for customers and taking payments from customers who had never actively switched to Avro. First, how do you respond to those allegations? Secondly, you said it was resolved—how did you resolve it?

Jake Brown: I will tackle the smart meter part of that question first. There was a project to become what was called a DCC user; we did fall behind on that and worked with the regulator to quickly resolve the situation. We worked really hard with a number of partners to roll smart meters out. You have to understand that we had just come through a pandemic where, for a number of months, it was very difficult to go and visit people's homes and install smart meters, for obvious reasons.

Q404 **Tonia Antoniazzi:** Somebody came to mine. I regret it now, but there you go.

Jake Brown: That would have been a personal choice. At the time, a lot of people were quite against engineers coming to their house who had maybe visited five or six other households in the same day, which I think is quite reasonable and understandable, given the times.

Regarding the allegations on Octopus, personally, I have never known of us deliberately taking a payment off someone who didn't switch. There are always issues—any energy supplier will tell you the same thing; there is a potential where a switchover has not been completed or a switch has been completed for the wrong property. There is always the potential for those issues to come out. I don't think it is something that is specific to Avro.

Q405 **Tonia Antoniazzi:** I think it is a massive shame that you didn't sit the fit and proper test with Ofgem. You needed to be more risk averse. What you and your father have done—other people are now picking up the cost, and that is such a massive shame. Have you got anything to say to the Committee?



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Jake Brown: A lot of the costs that have been spoken about are for energy costs going forward, which is essentially subsidising energy below the energy price cap. I don't think the energy price cap was ever designed to protect everyone. For example, in the last six months you will have seen it doesn't matter who you were—premier league footballers, top businessmen—you were protected by the energy price cap.

I don't think that is what the energy price cap was designed to do. I think it was designed to protect the most vulnerable. Although the energy price cap is not the only cause of the whole crisis, it does need to be looked at. People need to have a serious think on whether we are looking to protect vulnerable households that especially need the help, or everyone.

Q406 **Chair:** I am afraid that we have run out of time. I am grateful that you have taken the time, Mr Brown. I am afraid that I agree with Ms Antoniazzi that you pretty much personify the reason that we need to change the regulations. In my view, you should never have been allowed to start an energy company. I find it quite offensive that you have ended up with so much customers' money and yet not once in this session have you apologised to your customers for the failure of Avro Energy. Do you want to take this opportunity to do so?

Jake Brown: One hundred per cent. I want to take the opportunity to apologise to our customers, and to all the energy customers who are now seeing the costs of the failures.

The final thing I would say, though, as well, is that prior to these failures, there were a number of years where the market was dominated by a few small companies who, as has already been mentioned in the session, profited from that and made sure that people were paying significant—

Q407 **Chair:** They haven't walked away with their money, Mr Brown, which is what you have done.

Jake Brown: They have paid those dividends to shareholders.

Chair: They protected their customer balances. You took customer money out of the business. I don't think it is comparable. I am afraid that we are out of time—I am going to call this session to an end.