

Business, Energy and Industrial Strategy Committee

Justice Committee

Oral evidence: Prepayment meters: warrants and forced installation, HC 1209

Tuesday 14 March 2023

Ordered by the House of Commons to be published on 14 March 2023.

[Watch the meeting](#)

Members present:

Business, Energy and Industrial Strategy Committee: Darren Jones (Chair); Bim Afolami; Alan Brown; Mark Jenkinson; Ian Lavery; and Mark Pawsey.

Justice Committee: Sir Robert Neill (Chair); Janet Daby; Maria Eagle; Karl Turner.

Questions 130-190

Witnesses

[III](#): Chris O'Shea, Chief Executive, Centrica, and Bill Bullen, founder and Chief Executive, Utilita.

Examination of witnesses

Witnesses: Chris O'Shea and Bill Bullen.

Q130 **Chair (Darren Jones):** We now welcome Chris O'Shea, the chief executive of Centrica, which owns British Gas; and Bill Bullen, the chief executive of Utilita. Mr O'Shea first: as I understand it, the licence conditions that Ofgem place on you state that you can only forcibly install a prepayment meter if it is "safe and reasonably practicable in all the circumstances" to do so, and guidance from the regulator says that suppliers "should assess each individual case on its merit." Do you acknowledge that?

Chris O'Shea: Yes.

Q131 **Chair (Darren Jones):** The same guidance goes on to say that the warrant must not be used "where such action would be severely traumatic" to a customer "due to an existing vulnerability which relates to their mental capacity and/or psychological state and would be made significantly worse by the experience." Do you acknowledge that?

Chris O'Shea: Yes.

Q132 **Chair (Darren Jones):** *The Times* reported that British Gas agents broke into the home of a young mother with a four-week-old baby—alongside her seven-year-old, two-year-old and one-year-old—who was crying and rocking her newborn baby while your agents tried to forcibly fit an electricity meter that she knew would automatically disconnect because she could not afford to pay her energy bills. Was that case, which British Gas presumably signed off, in compliance with your licence conditions, Mr O'Shea?

Chris O'Shea: That case reported by the media did not result in a prepayment meter being installed. That case was a customer we had made about 50 attempts to contact, including a home visit where there was no answer—a customer who had not made a payment since November 2021, and who owes more than £3,000 of energy debt and continues to run up debt at a rate of £160 a month. As soon as the agents saw there was a vulnerability—the newborn baby—they walked away. They identified that vulnerability, which I think is exactly in keeping with the licence conditions.

Q133 **Chair (Darren Jones):** Thank you. It was also reported that British Gas agents broke into the home of a woman in her 50s with known severe mental health problems and bipolar disorder. Was that case in compliance with your licence conditions?

Chris O'Shea: I don't have the details of that case.

Q134 **Chair (Darren Jones):** It was also reported that British Gas broke into the home of a woman registered as partially sighted and disabled, with known arthritis and mobility problems. Was that case, which was also signed off by British Gas, in line with your licence conditions?

Chris O'Shea: Again, I don't have the details of that case.

Q135 **Chair (Darren Jones):** You don't have the details of individual cases, but do you acknowledge, Mr O'Shea, that somebody at British Gas has to sign off on each and every visit to somebody's home to break in and forcibly install a prepayment meter?

Chris O'Shea: Let me set out the process that we follow. On average, we make 24 attempts to contact a customer before we apply for a warrant. In 2022, we applied for and were granted 92,500 warrants. Immediately on being granted those warrants, we write to the customer to let them know that that has been applied for; of those 92,500 warrants, 34,000 resulted in a resolution. Either the customer acknowledged the debt and entered into a prepayment plan—perhaps there had been a change of tenancy and the customer had moved away, or we identified a vulnerability, because, as your previous witness said, vulnerabilities are transient and can change—or we had a customer who voluntarily asked for a prepayment meter.

Of the remaining 58,000, we installed 20,469 prepayment meters under warrant. We had 12,000 customer cases that resulted in payments. We had 4,000 customers where we identified a vulnerability after being awarded the warrant, and we walked away. It is sometimes not possible to identify a vulnerability because customers simply refuse to engage. If we identify a vulnerability, we do not install prepayment meters. We have an independent investigation going on just now. Ofgem has also launched an investigation.

Q136 **Chair (Darren Jones):** I will come to that in a second, Mr O'Shea, if that's okay. We will talk about follow-up actions in a moment.

It was reported that your agents, Arvato, had Excel spreadsheets where customers were listed and their vulnerabilities were noted, and that information was circulated to all field agents on a weekly basis. We just heard from Arvato—your bailiffs—that somebody at British Gas had to give the go/no-go decision on each and every case. Who in British Gas gave the go/no-go decision to enter all the homes I have just mentioned?

Chris O'Shea: The head of customer debt collection—

Chair (Darren Jones): The head of customer debt collection.

Chris O'Shea: Just to be clear, we will sometimes issue to the debt collection agency a "proceed with caution" notice, where we suspect there may be a vulnerability but we are not sure. We are quite clear on that. If you see a spreadsheet that says there may be a vulnerability—again, vulnerability can be transient. I would also say that the Ofgem definition of vulnerability applies to the customer, and we apply that definition to the household; we have a procedural policy that is more stringent than the Ofgem definition. If we suspect there is a vulnerability, we will let the debt collector know, but we cannot confirm that if we cannot make contact with the customer.

Q137 **Chair (Darren Jones):** Who does your head of debt collection management, who signs off on these cases, report to in British Gas in terms of your compliance with the licence conditions?

Chris O'Shea: They would report to the head of customer operations, who reports to the head of British Gas Energy.

Q138 **Chair (Darren Jones):** At what point does that get to board level?

Chris O'Shea: The way that we operate within Centrica is that we have eight separate business units, each of which has a managing director. We have compliance reports, and an audit and risk committee. British Gas Energy would have compliance reviews, and would identify risks. Those risks, if they are material for the group, would then find their way on to the group risk register. The signing off of the application for warrants does not come to the board. It does, however, go through the head of regulation, which sits in the general counsel's department, but it would not come to the Centrica board.

Chair (Darren Jones): I have the terms of reference for your audit and risk committee. It sounds very reasonable. It says that there are a number of internal audits done on a quarterly basis. There are quarterly reports to the group risk management function. Those internal audits are checked, and there is a review to highlight any "material risks and incidences of non-compliance to Centrica's sector-specific legal and regulatory obligations". All the cases that have been reported—these are only some of them—are to me a clear breach of your licence conditions. That would be a material risk that ought to be reported at your audit and risk committee. Has a paper ever gone to your audit and risk committee suggesting that you discuss those types of breaches?

Chris O'Shea: First, I would say, Chair, that to prejudge the outcome of either the Ofgem investigation or our investigation would be highly unusual.

Q139 **Chair (Darren Jones):** I am just giving you my view, Mr O'Shea. I asked if it had ever been reported to your audit and risk committee.

Chris O'Shea: I understand, but the premise of your question is that there has been a breach. The investigation will establish whether there has been a breach.

Q140 **Chair (Darren Jones):** My question is whether there has been a report to your audit and risk committee.

Chris O'Shea: Of a breach. My point is that it has not yet been established whether there has been a breach.

Q141 **Chair (Darren Jones):** Could you answer my question specifically? Has there ever been a report to your audit and risk committee that has dealt with the issue of forced installation of prepayment meters by British Gas? Yes or no.

Chris O'Shea: There was a discussion at the Centrica board last year about the whole issue of prepayment meters, after the reports in the newspaper I referred to. To the best of my knowledge, there has been no report to the audit and risk committee, because we have not yet identified a breach. The first time potential breaches came to my attention was in the media reports. The launched investigation of that will go to the Centrica audit and risk committee. Because there have been no

established breaches right now, there has been no report to the audit committee, to the best of my knowledge.

- Q142 **Chair (Darren Jones):** I am surprised that the first you heard about it was *The Times* story. There have been lots of news reports over many years—including, to be fair, before you were with British Gas—of the company forcibly installing prepayment meters. Indeed, in 2018, just before you joined the board, I think as chief financial officer, Ofgem issued a warning to British Gas for having a rate double the industry average. It said you needed to bring that number down. It has actually gone up very significantly. British Gas has known for many years of the regulator's concern about the forcible installation of prepayment meters by the business. I am confused as to why you have only just encountered this issue through *The Times* exposé. This looks like a systemic issue with British Gas that ought to be reported on, doesn't it?

Chris O'Shea: First, the data you have is incorrect. The number of prepayment meters installed under warrant has actually reduced for British Gas. In 2019, it was 23,000; in 2020, it was 8,000; in 2021, it was 21,000; in 2022, it was 20,469.

- Q143 **Chair (Darren Jones):** You are still one of the highest in the sector, aren't you?

Chris O'Shea: We are the largest energy company in the sector. You also have to bear in mind—

- Q144 **Chair (Darren Jones):** At the rate per customer, you are still the highest user of these, though, aren't you?

Chris O'Shea: No, because we have 1.2 million prepayment customers and another 6.3 million customers we afford credit to. A lot of those prepayment customers are voluntary prepayment customers. You will have companies that have no prepayment customers, and you will have companies that have only prepayment customers. You have to look at what we would call the socioeconomic mix of the customer book. But the number of installations by British Gas has actually come down in that period.

- Q145 **Chair (Darren Jones):** Are you concerned that your internal audit compliance and risk reporting is inadequate, if these issues have not been escalated to you previously? You seem to know nothing about this.

Chris O'Shea: One of the things that I was most disappointed about, and the reason why I was very upset with the media reports, was that we had an internal audit team out with Arvato weeks before those reports, and had identified no issues. The installation of prepayment meters under warrant is not something that came to my attention as a result of media reports. The allegations that there was improper behaviour are what came to my attention through media reports. Immediately upon getting those, we suspended work with Arvato, and launched an investigation to establish the facts and understand whether the incidents reported were isolated or systemic. That report is ongoing. It is very important that we understand from the cases that have been reported, but also from a statistically significant sample, whether there is a systemic issue.

Q146 **Chair (Darren Jones):** The problem we have, Mr O'Shea, is that Arvato have said that they just did what you told them to do. You are saying that it was Arvato's problem that these issues happened. We seem to be going around in circles, so we look forward to reading your report.

Lastly from me at this stage, if you were so sad about this story, how much of your £3 billion in profits have you allocated to compensation for the victims of your actions?

Chris O'Shea: First, on your previous comment, Arvato are a subcontractor to Centrica and British Gas, so this is not about going in circles. I think that your assertion is a bit unfair.

Q147 **Chair (Darren Jones):** I am entitled to my view, Mr O'Shea. I asked you a question, though. How much of your £3 billion profit have you allocated for compensation to the victims of your actions?

Chris O'Shea: Again, at the risk of repeating myself, I think it is important that we establish exactly what has gone on here. If we—

Q148 **Chair (Darren Jones):** So you are not compensating?

Chris O'Shea: If you will permit me to finish, I have been very clear that if we identify that we have acted incorrectly, we will make that right. I can only answer that question when we have the results of our investigation.

Q149 **Chair (Darren Jones):** Okay. So that I am clear, at this stage, irrespective of all the testimony, the story and the evidence, are you saying to this Committee that you are not admitting that British Gas has had failings in the forced installation of prepayment metres?

Chris O'Shea: I need to see the result of the investigation.

Q150 **Chair (Darren Jones):** That is astonishing, isn't it, Mr O'Shea, given the real situations that have been reported? You are here today saying that you don't know whether those are legitimate stories. These are real people, and stories that were reported in real time by an investigative journalist. Your employees and your agents caused them enormous amounts of distress, and you are not even acknowledging that it happened.

Chris O'Shea: I think that is a misrepresentation of what I am saying. One case reported by the media is of an individual that we attempted to contact on many occasions. We do not know the name of the person. They are a tenant in the property. We installed a prepayment meter; that was reported by the media. That person has not complained. We still cannot make contact with that person as we do not know their name. However, with the prepayment meter installed, they have started to reduce their debt.

This is a very, very difficult situation that we are in; in any other industry, if we afforded credit to people whom we knew could not pay, that would be a breach of our business and potential licence conditions. We are caught in a very difficult position, but I am not saying that it is clear that nothing has gone wrong. What I am saying is that we need to have a proper investigation, and often these are very complex debt pathways.

They take months. On average, it takes about six months before we even apply for a warrant. We have to go back and check all that. We are checking the roll-out. We have 20 people working on this; we have external advisers working on it as well. They are going through 150 documents. We need to trace every step in the path to check whether we got it right or wrong, not just for the cases identified, but for the hundreds of additional random samples that we have taken.

Q151 **Chair (Darren Jones):** You probably should have allocated those resources to doing it right in the first place. Do you regret that?

Chris O'Shea: I cannot say, at the moment, that this has not been done properly.

Q152 **Chair (Darren Jones):** Okay. Thank you. Mr Bullen, Ofgem, the regulator, did a compliance review of these processes, and remarkably British Gas was the only energy company that came out saying that there were no issues with their processes. Your business, Utilita, was at the bottom of the ranking, with "Severe weaknesses." If this is happening at British Gas, what on earth is happening at Utilita? If it is not a problem, why did Ofgem say that?

Bill Bullen: What compliance review are you talking about?

Chair (Darren Jones): This is the market compliance review in September 2022.

Bill Bullen: Are you referring to the one about direct debits?

Q153 **Chair (Darren Jones):** It is about the forced installation of prepayment metres and how vulnerable customers were being treated. They divided the suppliers into four brackets: "No material weaknesses", British Gas; "Minor Weaknesses", a whole list of others; "Moderate Weaknesses", a whole list of others; "Severe Weaknesses", TruEnergy, Utilita and ScottishPower. You must know what I am talking about, Mr Bullen.

Bill Bullen: Sorry, yes. Ofgem has carried out a number of market compliance reviews during the year. I am aware of that, and we were very unhappy with that result. The practicalities of the situation are that we have a very good process. Fundamentally, we have the same difficulties as British Gas in contacting customers. Obviously, we have a large number of customers who have financial difficulties, because we specialise in doing prepay, but because we specialise in smart prepay, I think you will find that the experience of customers is very different. Which?, the consumer organisation, published a report recently that ranks suppliers. We did not come top; Octopus did, as they often do, but we came second. For a company that has 90% of its customers on prepay, I think you will find that is a pretty good result, so I was disappointed with that review by Ofgem. I was also disappointed with the review that they did into direct debit payments, which I found was equally inaccurate, based on the objective information that Ofgem had available. But obviously I do not run Ofgem.

Q154 **Chair (Darren Jones):** That is the important point that I just want to try to flesh out a bit. Ofgem found that you were one of the worst suppliers,

whereas British Gas was one of the best suppliers, but as I have just set out, British Gas's actions, as far as has been reported, were completely inadequate. Your assessment, I think, is that the way that Ofgem assessed outcomes was not good enough.

Bill Bullen: That would be the conclusion I would come to, but I am not privy to exactly what went on in Ofgem. All I can talk about are the outcomes we have for customers. We process something like 2,500 warrant installations. They did not all end up as a warrant installation, but we have evidence where we have aborted an install because of a vulnerability turning up at the last minute.

As I say, the key difference with Utilita is that we do not install dumb prepay meters. As has been said, vulnerabilities are transient, and where a vulnerability turns up after that installation, we have the ability to switch a customer back into credit mode, which is something we do all the time. We switch hundreds per week back into credit mode, and some hundreds per week are being switched into prepay mode, or at least were until the suspension.

Q155 **Alan Brown:** Mr O'Shea, can you set out exactly how your contract with Arvato is structured? Also, to start at the beginning, before we get to the awful end point where people are forced into having a prepayment meter, how quickly does Arvato get involved?

Chris O'Shea: The contract structure with Arvato is that we have a full outsourcing of our debt collection. We know the paying customers and the customers who do not pay, so we will identify customers who do not pay. We will make attempts to get in touch with customers. When those fail, we pass that one to Arvato.

Q156 **Alan Brown:** How do you have a list of those who do not pay?

Chris O'Shea: We monitor accounts. These are for customers. Obviously, on prepayment meters we monitor that differently. For customers who pay by direct debit, the direct debit gets cancelled, or if customers pay with what we call cash cheques—we have about 2 million customers who do that—if they get a bill and they have not paid it within their terms, we do not immediately pass that on to the debt collector. We try to get in touch with the customer. What we are always trying to do is we offer payment plans of up to five years. We will pass this on when the customer is simply not engaging with us, or where the debt gets quite aged.

Q157 **Alan Brown:** When does Arvato get involved? When would be the trigger point for saying it will get involved?

Chris O'Shea: It will be at the point at which we think that there is a problem with us actually getting paid by the customer. We would then pass that on to Arvato. Arvato will do debt collection for us, but it is not just about the installation of prepayment meters; it is about the recovery of debt.

Q158 **Alan Brown:** I will give you a personal example from my London flat, then. There was no notification from British Gas that a bill was due. There was nothing from British Gas saying that the bill was now overdue, but I

got an email from Arvato looking for payment. I went online and checked the bill that was created, and when British Gas said that the bill was due. Arvato sent an email within a calendar month of that date. That does not suggest to me that proper checks are going on, and that British Gas is engaged in doing stuff before it passes the case to a debt agency.

I know this is not good for people watching outside the room, but I will pass on that email. That is the email I received from Arvato, if you want to look at it. It does not reference a gas bill once. It does not reference a bill at all. It tells me to visit a secure RISE notification with a link. When I see that, I think that is a phishing email—a scam. There is nothing there that suggests it is a gas bill, and nothing that says it is overdue. There are telephone numbers, but there is nothing there about circumstances, vulnerabilities or anything. Do you think that is acceptable? Is that part of your contract with Arvato? If people are receiving emails like that, it is no wonder they are not engaging.

Chris O'Shea: Mr Brown, I am going to have to take this away to understand exactly what happened in the process. On the face of it, that email is not a good email. I know that that is about your gas bill because I can see your customer number. I do not expect you to remember your customer number for your gas bill, but I will need to go away and look into that.

Q159 **Alan Brown:** That is the start of the process with British Gas and Arvato. That is the start of a debt possibly being added to customer accounts, isn't it?

Chris O'Shea: Well, no, because the consumption of gas and electricity by you in your flat is what adds to the debt. This is not what adds to the debt.

Q160 **Alan Brown:** So there is no fee once it gets to Arvato?

Chris O'Shea: No. The question previously was about the cost of the prepayment meter installation. It is £150. We charge £56 to the customer on the granting of the warrant, and £94 on the installation of the meter. The payment of this is for our account. I would like to look into this. Did you raise anything with British Gas when this happened?

Alan Brown: At the time, no. I raised it elsewhere.

Chris O'Shea: I will follow up on that. There is no charge to the customer for this, and if the customer gets in touch to say that the bill has not come through, or there has been no reminder, then clearly there is an issue, and we fix that.

Q161 **Alan Brown:** If the case has already been passed to the debt collection agency, from then on, will not the agency chase and chase? Clearly, fees are then being incurred and will be added to the account.

Chris O'Shea: No, fees would be added to the account when we have been through the £150—which is not a true reflection of the cost of doing this; that is a cap that Ofgem put in place in, I think, 2017. There is no cost to you for that.

Q162 **Alan Brown:** So Arvato, as a debt collection agency, starts chasing, and

there are no fees incurred by the customer?

Chris O'Shea: We pay for that.

Q163 **Alan Brown:** You are swallowing that cost?

Chris O'Shea: This is part of the service to customers. We have either an in-house team, or a team that is outsourced. That cost is for us. We are allowed to recover £150 where we install a prepayment meter, but we do not recover that in every case. Where we identify severe financial vulnerability, we do not—

Q164 **Alan Brown:** How much is done in-house, and how much is outsourced?

Chris O'Shea: As the previous witness said, we have outsourced our entire debt collection to Arvato. We have a team internally who monitor that—three full-time colleagues. It is part of the customer collections team. The full activity of collecting debt has been outsourced to Arvato.

Q165 **Alan Brown:** The amount that is added to customers' bills once a prepayment meter is forcibly installed—how long do they get to pay that?

Chris O'Shea: When we install a prepayment meter under warrant, the customer owes on average more than £1,000. The average repayment rate is £5 a week; it can be as low as £3.25. This would simply be added on to that.

Q166 **Alan Brown:** It is £150, you said. So that is added on.

Chris O'Shea: Unless there is severe financial vulnerability; then we do not charge it—we absorb it ourselves.

Q167 **Chair (Darren Jones):** Can I clarify something? Earlier, Mr O'Shea, you gave us numbers on the forced installed of prepayment meters. Can I check that there is no distinction between going in and installing a prepayment meter and installing a smart meter that is later converted into a prepayment meter? Is the number inclusive of all those actions?

Chris O'Shea: I gave you the number of 20,469 prepayment meters being installed last year; there is an additional 6,000 from what is called business-driven mode change; that is a smart meter changing from a credit meter to a prepayment meter.

Q168 **Chair (Darren Jones):** That is 6,000 on top of the number that you gave.

Chris O'Shea: Yes: 26,500.

Q169 **Mark Jenkinson:** That was one of the questions that I had. I am not sure that you answered the question that Mr Jones asked. You gave a number for prepayment meter installations. You have then added on another 6,000, which were mode change. Are there circumstances in which you would enter a property and install a smart meter in credit mode, and have that mode change take place afterwards?

Chris O'Shea: Not forcibly, no.

Q170 **Mark Jenkinson:** You would leave the property in prepayment mode on

every occasion.

Chris O'Shea: Unless there is a mistake, yes, because customers would go from what are called dumb meters to smart meters. They have to agree to that. It is part of our Ofgem mandate that we need to reach a certain number of customers. No, we would never forcibly enter a customer's premises to change what we could call a dumb credit meter for a smart meter.

Q171 **Mark Jenkinson:** In any circumstances, it would always be left in prepayment mode, unless it was a mistake, as you say.

Chris O'Shea: Yes, because the idea of breaking into or forcibly entering a customer's home to change a dumb credit meter for a smart credit meter—I cannot think of how that would ever occur.

We installed just under 100,000 prepayment meters last year; more than 70,000 were installed voluntarily, at the request of customers. In total, we have the 20,000 installed under warrant, the 6,000 installed under business-driven mode change, which we are no longer doing, and another 70,000 that were installed at the request of customers.

Q172 **Chair (Darren Jones):** Sorry, might I check? You say, "At the request of customers". I used to work in a business where I had to read customer order journeys for call centres, and often things took place on the company agent's advice to the customer. When you say, "at the request of the customer," what that actually means, I think, is that the British Gas call centre person has called someone and said, "We need to sort out your ability to pay your bills. We recommend that you move on to a prepayment meter." Is that right?

Chris O'Shea: No, because lots of landlords want a prepayment meter. Someone will buy a buy-to-let property, and—

Q173 **Chair (Darren Jones):** The majority of people are domestic customers who pay their own bills, though, aren't they? Do you have data that suggest how many customers ring you up and say, "Please move me to a prepayment meter that costs more to run, and that will disconnect the electricity from my house"?

Chris O'Shea: I am sorry; the prepayment meter does not cost more to run. Electricity under a prepayment meter is the cheapest electricity on the market today. Gas is slightly more expensive, but it is a misconception that there is a large premium on this. Gas is a bit more expensive, but the cheapest electricity you can buy on the market today is under a prepayment meter.

Q174 **Chair (Darren Jones):** Sure, but you have not answered my question. How many customers call you up and ask, without the advice of your call centre agents, to be moved on to a prepayment meter?

Chris O'Shea: I don't have that number to hand.

Q175 **Chair (Darren Jones):** I suspect it is probably close to zero. Most people would rather just stay on a contract.

Chris O'Shea: On your assertion that the majority are owner-occupiers, I am not sure that is borne out by the data. Of the 20,000 prepayment meters that we installed, more than 4,000 were in vacant properties. In my experience, a buy-to-let landlord will tend to prefer to have a prepayment meter. If there is a property purchased, they want a prepayment meter because they do not want to be liable for that. I don't have the numbers to hand, but I just thought it was important that—

Chair (Darren Jones): I just wanted to clarify your language, because I am not sure that I fully buy it. Sorry to interrupt, Mark.

Q176 **Mark Jenkinson:** It is all right. You have given me a segue into another follow-up question from earlier, before I get into what I really want to ask. Mr O'Shea, you talked about there being 1.2 million prepayment customers, the large majority of whom are voluntary, and Mr Bullen talked about switching between credit and prepayment quite regularly. Some years ago—more years ago than I care to remember, and certainly before your time, Mr O'Shea—I was moved into a house that was not a new house to us, but which had been let and had prepayment meters. It was with British Gas, who then wanted, from a young couple who were in full-time employment and had a good credit rating, £800 to take out prepayment meters and move on to credit, which another supplier had done at no charge. How easy is it for customers to move from prepayment into credit, given that that was probably 20 years ago?

Chris O'Shea: If customers pass the credit check, as long as we think they can afford to pay, it is no problem at all. I don't have any knowledge of the £800 charge. Practices were quite different all that time ago, but ultimately what we want is something where the customer can pay. While it is really difficult for customers going on to prepayment meters, people running up debts that they cannot pay is also a significant contributor to mental ill health, so this is an incredibly difficult situation. Prepayment meters are currently very much in the press and in the media, and there is a general perception that they are really not the right thing to have. But 20 years ago, when I was at school, I remember people being disconnected. The installation of prepayment meters, as distasteful as some people might find it, has reduced substantially the number of people who used to just get cut off and be left with no gas and electricity.

Q177 **Mark Jenkinson:** Thank you. I will get on to what I was going to ask initially. Citizens Advice conducted some internal case analysis that found that 86% of customers who were moved to prepayment were in contact with their supplier. Is the use of prepayment meters as a means to recover debt really done as a last resort? I will start with Mr O'Shea.

Chris O'Shea: It is absolutely for us, yes.

Bill Bullen: Yes, absolutely.

Q178 **Mark Jenkinson:** What steps are taken to support customers who are in payment difficulty before you move them to prepayment, and what sort of level of debt would we consider?

Chris O'Shea: We would try to contact the customer, and we would look to agree payment plans. Our payment plans go up to five years. The

average level of debt for a customer who goes on to a prepayment meter with an installation under warrant is just over £1,000.

Q179 **Mark Jenkinson:** Mr Bullen, most of your customers are already on prepayment.

Bill Bullen: A lot of our customers are already on prepay, but the key thing to remember is the demographic issue. It is mostly in rented accommodation, and there is a lot of change of tenancy happening all the time—25% of my customers move every year. Circumstances in any particular household can and do change very regularly, but we switch people to credit mode every week.

Q180 **Mark Jenkinson:** Is there a minimum level of debt where you would—

Bill Bullen: I think our process kicks in after about three months, but generally, because our customers are relatively newer, we don't have quite the same levels of debt as British Gas. We try to capture the issue a lot earlier on. As British Gas just said, switching people to prepay often saves them money as well, so it helps them to cut their debt going forward.

Q181 **Mark Jenkinson:** Mr O'Shea, *The Times* investigation, which we have talked about at length, revealed warrants pursued for customers with vulnerabilities, such as mental health disorders, physical disabilities and children with asthma. That same internal case analysis by Citizens Advice found that 85% of people using a prepayment meter would meet Ofgem's definition of vulnerability. What steps do you take to identify vulnerability, and to assess whether it is safe and practical to move to prepayment?

Chris O'Shea: Obviously, we have to have contact with the customers. Our definition of vulnerability would be someone who has children under five years old, someone over the age of 85 or someone with cognitive impairment, such as dementia. Often, that can be established through contact with the customer. If we have no contact with the customer, it is impossible to establish that. There might be an opportunity for us to have something that is cross-industry but goes beyond the energy industry—to have a common definition among service providers as to what vulnerability is, as well as having a central register. That would make it far easier. It would mean that we knew, as long as the voter roll was kept up to date. If we cannot contact the customer, that is why we then have Arvato involved; they go to the door, and if the customer does not answer the door there is only so much that we can do.

Q182 **Mark Jenkinson:** Am I right in thinking that there is some link to the DWP for the warm home scheme? Is there potentially something that can be done around that?

Chris O'Shea: There is a link, yes. I absolutely think there is a lot that can be done around this, but I think it has to go beyond the energy industry. It should go to other essential service providers as well. While nothing is foolproof, it would mean that we had something that was more satisfactory than relying on having contact with the customer.

Q183 **Mark Jenkinson:** That same investigation found that British Gas agents continued to remotely switch customers, as we have just discussed, from credit to prepayment, despite Centrica publicly stating that it would be stopped. Is that still ongoing?

Chris O'Shea: No. There was a question earlier to the person from Arvato about my comments. My comments were about the behaviour I observed in some of the deals—the language used about being excited about forced entry into homes, as well as remote switching rather than trying to go to the home. We had a warrant, so we had the right to do that, but we made a very public statement because of our concerns around some of the issues with regard to prepayment meters. We made a very public statement just the week before that. You may ask: if I made a statement then, how can I tell you now that it is not being done? All I can tell you is I have reinforced the fact that that should not be done.

Q184 **Mark Jenkinson:** Okay. Finally from me, how many customers contacted you to complain that they had been moved when it was not safe for them, and what do you do with their information?

Chris O'Shea: Since *The Times* report, we have had around 300 customers who have written us to say that they feel have been moved incorrectly. We are looking into every one of those cases. If that is the case, then we will reverse it and make it right.

Chair (Darren Jones): We are horribly behind time, but I hand over to Ian Lavery.

Q185 **Ian Lavery:** The six-week pause in the prepayment meter fittings and remote switching comes to an end at the end of March. What is your intention at the end of that period? Are you going to revert to type or change the policy?

Chris O'Shea: First, what we have got to do before we at British Gas think about restarting the practice is to understand whether there is a systemic issue in our processes. We would not restart that until the investigation is done; our investigation will not be done until the end of April, I think. We would not restart. Ofgem also has its investigation, and we are under a moratorium from Ofgem as well. It will not restart for us at the end of March.

This goes beyond the energy industry. What I really want is for us to figure out what do we do to help people who cannot pay their bills. That is not something that can be solved by Centrica or any energy company. The question is how we want to treat people who cannot afford to pay for their heating, food, rent or mortgage. I think that requires industry, regulators, Government, Citizens Advice and other consumer groups to come to an agreement on how we fix that. Unfortunately, that is going to take time. Centrica will not restart unless we are sure that there are no systemic issues in our process.

Q186 **Ian Lavery:** You mentioned the issues about vulnerable people. What engagement have you had with the Government about a social-type tariff—a social discount tariff—for the people you mentioned who are finding it very difficult to survive?

Chris O'Shea: We have had ongoing conversations, and I spoke to the Energy Minister just after this story broke in the media to discuss what we were doing—what the immediate point is—and then what the solution could be in the longer term. I was not a fan of social tariffs at first when I took this job, but the more I look into it and the more I understand about the consumer, the more I think this could make perfect sense.

It could be in a number of different guises. One is a social tariff. It could be means-tested, effectively, and there could be either a settlement mechanism between energy companies—so those who can afford it pay more and those who cannot pay less—or a settlement mechanism or something that is administered by the DWP.

I also had some conversations about the universal support that was given to consumers and brought out last year. While the support from Government was very positively received, I lobbied quite hard for that to be more targeted, because it gives support to people who don't need it. If we were to take that support away, we could give more to those who desperately need it.

Those are the two main areas of conversation that I have had, but I would be supportive of something that comes in. It should be funded from general taxation rather than from energy consumers, because that is more progressive, but that will require quite some discussion.

Bill Bullen: Equally, that is a subject that we have looked at a lot. Fundamentally, we have an affordability problem here. The incomes of people in those lower couple of deciles of income have not gone up anywhere like the rate of inflation that applies to them. So fuel and food, which are the things that have been driving inflation, account for a disproportionate amount of their expenditure.

Clearly, we need to address that income issue. The best way to go about that is through some kind of social discount on energy bills, because it is obviously better for that customer that money goes directly to where it is needed—in other words, to keep their house warm or their lights on. The experience that we have had through the EBS scheme this winter has been phenomenally enlightening as to the impact that that can have. But clearly, we need some kind of social discount to help customers through the affordability problem.

I don't think that this is something that is going to go away; I think there is a long-term requirement, and it is bigger than the current warm home discount. But this does come down to better targeting, so that the cost of it can be managed. There needs to be a long-run solution to this problem, because it is not about to go away.

Q187 **Ian Lavery:** When vulnerable people simply cannot afford to pay their gas and electricity bills, who should pay?

Chris O'Shea: I think it goes beyond just gas and electricity—

Q188 **Ian Lavery:** Well, that is what this discussion is about.

Chris O'Shea: I understand, but I think what is really important with our customers—our customers are amazing people—is that they try to pay, and if they cannot pay their gas and electricity bill, they are also not able to pay for their food and rent and they cannot pay their council tax. We could say that energy companies could absorb it. I believe that Centrica British Gas is the only energy retailer in the UK that is making a profit. Most other companies are making a loss. Half the market has gone bust in the past 18 months, so it is a market where there is very little profit in energy retail to subsidise those who cannot pay.

I would also say that the vulnerability definitions that we have just now do not take into account financial vulnerability. That is a huge gap. They talk about mental health but not about financial vulnerability. I think that the way that we should pay for this—a progressive way—is through general taxation.

Q189 **Ian Lavery:** Mr Bullen, you seemed to react there when Mr O'Shea made that suggestion about profit margins and losses by certain companies.

Bill Bullen: We are both sitting here in our role as the head of a licensed energy supplier. Licensed energy suppliers are not making profits. I know that some energy companies are making profits, but not in the business of supplying customers. A figure that was quoted by Energy UK a few weeks ago is that something like minus 2% is the profit margin—in other words, everybody is making a loss. So somehow, if vulnerable customers cannot afford to pay, that cost clearly does have to be socialised, because licensed energy companies do not have that money. It would have to come either from other energy consumers or from taxpayers—pretty much the same group of people. One way or another, it has to come from somewhere else, because energy companies—licensed energy suppliers—do not have this money and it is not allowed for in any of the price caps.

Chris O'Shea: At the moment, technically it has been socialised across society, so it is regressive, because there is an element of the price cap that deals with bad debts—so the fact that there are those who do not pay has been socialised. Essentially, that is added to everybody else's bill. It might sound a bit rich for me, as the chief executive of an energy company, to say that it should be the general taxpayer, but at the moment those who are struggling but who are able to pay their bill are paying for those who are either unable or unwilling to pay their bill. As with the cost of the failures of other energy companies, I think that is just not right; it is highly regressive.

Q190 **Chair (Darren Jones):** I am sorry that we have timed out. We could go on, but we really must get Ofgem in before we have to finish today. Thank you to both of you.

Lastly, Mr O'Shea, you have referenced a lot the internal investigation, and you have been unable to tell us whether wrongdoing has happened or not subject to that investigation. Will you share a copy of it with us when it is ready?

Chris O'Shea: I would be very happy to, yes.

Chair (Darren Jones): Thank you to both of you.

