

**Installation of  
prepayment meters  
under warrant**  
Investigation Report

***centrica***

# Chapter 1 – Introduction and Summary

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## Background to and context for the investigation

- 1.1 On 2 February 2023, in response to a report in *The Times* of 1 February 2023 containing a number of allegations regarding the installations of prepayment meters (PPMs) under court-approved warrants by a third party, Arvato Financial Solutions Limited (Arvato), acting on behalf of British Gas, I was asked by the Chief Executive Officer (CEO) of Centrica plc (Centrica) to oversee an investigation into this matter. The report by *The Times* alleged that:
- British Gas (a wholly-owned subsidiary of Centrica) or third parties acting on its behalf had broken into the homes of energy customers to install prepayment meters; and
  - The customers involved were vulnerable.<sup>1</sup>

## Purpose and scope

- 1.2 The purpose and scope of my investigation was to:
- 1.2.1 In the first instance, understand in further detail the specific facts of the cases reported upon by *The Times*;
- 1.2.2 Assess the extent to which British Gas was in compliance with the applicable legal and regulatory obligations relevant to the installation of PPMs through:
- A review of a wider statistically robust sample of cases involving the installation of PPMs under warrant;
  - A review of those systems, controls, policies and processes relevant to the discharge of the aforementioned legal and regulatory obligations.
- 1.2.3 Identify any potential improvements to processes and operational practices to inform the future resumption of installation of PPMs at the appropriate time.
- 1.3 In simple terms, the practice of PPM installations under warrant by energy suppliers occurs in circumstances where customers owe a significant debt to their supplier for their energy consumption and have not responded to requests from their supplier for payment, resulting in that supplier seeking permission from the magistrates' court to enter the premises of the customer to install a PPM as a means of managing that debt. The process through which a PPM is typically installed in this manner is described more fully in Chapter 4 of this Report.
- 1.4 I have observed many different views expressed by commentators and policymakers in the past few weeks on the practice of installing PPMs pursuant to court-approved warrants by energy suppliers, many of which ultimately go to the appropriateness or otherwise of current or future regulatory policy in this sphere. I am also conscious that the sector-specific regulator, Ofgem, during the course of this investigation, has published a new Code of Practice articulating and further standardising the conditions and processes to be fulfilled by energy suppliers in the installation of PPMs under warrant.<sup>2</sup>
- 1.5 However, in conducting this investigation, I have determined that the correct approach should be to assess the approach of British Gas against the yardstick of its established prevailing legal obligations and accompanying guidance, prescribed by either Parliament or Ofgem. Understanding the policy objectives and context which these obligations are designed to attain or advance is then central to how they should be interpreted and applied in an operational setting. Any other investigation approach or methodology would be inherently flawed and of

limited utility since it would involve the (arguably impermissible) retrospective application of a new standard not known to British Gas or any other supplier operating in the market at the time. Whilst I appreciate that some readers of this Report may have different perspectives on whether these installations should be permissible (or specifically the conditions under which they may be permissible), that should, in my view, be a matter for the formulation of future policy, which is the preserve of Parliament, the executive and the sectoral regulator, following extensive consultation with all relevant stakeholders, including energy suppliers.

- 1.6 The relevant legal obligations are described in some length at Chapter 3, together with the policy rationale for these obligations, and can be found at Appendix 1 of this Report. I consider it critical that these legal obligations are understood and interpreted against the wider policy context in which they were originally constructed. As an example, I would observe that PPMs are considered within the context of the regulatory scheme to play a vital role in helping customers to manage debt; indeed, suppliers are legally obliged to promote a PPM to those customers who find themselves in financial difficulty to enable them to budget appropriately and mitigate their position.<sup>3</sup> This legal obligation reflects the overall thrust of regulatory policy over the past 20 years or more in which the installation of PPMs has been considered by the regulator to reduce the risk of disconnections. In highlighting these broader policy themes and issues, I do not wish in any way to detract from the very real difficulties that many energy consumers face today, but rather to provide important context for how the approach of all energy suppliers to the installation of PPMs under warrant should be understood and assessed.
- 1.7 Whilst there is a panoply of potentially relevant legal and regulatory obligations that the investigation has duly considered, given the nature of the allegations made in the original *Times* report, the investigation has necessarily given the appropriate weight to the obligation on suppliers to ensure that any installation of a PPM under warrant only occurs where:
- 1.7.1 It is safe and reasonably practicable to do so (which includes an assessment of the impact of the installation on the mental wellbeing of the customer), and in a manner that is consistent with the expectations of Ofgem's Standards of Conduct (which prescribe, *inter alia*, the behaviours expected of suppliers in serving their customers)<sup>4</sup>;
- 1.7.2 Authorisation to enter the premises of a customer has been duly provided by the magistrates' court, upon an application by the supplier, in the form of a warrant before any attempt to install a PPM takes place.

1. <https://www.thetimes.co.uk/article/british-gas-prepayment-meter-debt-energy-bills-investigation-wrgnzt6xs> *The Times*, 1 February 2023  
 2. Involuntary PPM – Supplier Code of Practice | Ofgem  
 3. Standard Licence Condition 27.5 and 27.6 [Customers in payment difficulty]  
 4. Standard Licence Condition 0 [Treating domestic customers fairly]

## Investigation methodology

- 1.8 This investigation has been undertaken by the 'second line' British Gas Financial Services Compliance team, led by the Head of Compliance, who holds the mandatory Senior Management Function (SMF) 16 designation (with all of the attendant responsibilities and obligations<sup>5</sup>), pursuant to the provisions of the financial services sector-specific regulatory framework. The work of this team has been further supplemented by resources from Centrica's Internal Audit function. All members of the team were trained in the application of an assessment methodology to ensure, to the fullest extent possible, consistency of approach in reviewing cases. The results of initial assessments were subject to extensive calibration prior to conclusions being formed. As I describe elsewhere in this Report, the assessments undertaken involve a review of sensitive issues, requiring the exercise of judgement against typically a complex factual background. Some examples of these complex cases can be found in Chapter 5 of this Report. I wish to acknowledge all members of the team for their efforts in conducting this review and delivering an assessment in such a compressed timeframe.
- 1.9 The work of the investigation team, encompassing its methodology, analysis of individual cases and policies and processes, has been subject to further oversight, from an independent specialist regulatory compliance consultancy, Promontory Financial Group (Promontory), an organisation with an established track record of providing such assurance over regulated activity to regulated firms, having previously been appointed as a 'Skilled Person' (as defined by section 166(6) of the Financial Services and Markets Act 2000), capable of undertaking such activity on the FCA's panel of approved practitioners. I am therefore satisfied, in my capacity as an officer of the court, that this investigation has been conducted with the degree of independence that is necessary and commensurate to the specific circumstances of this matter.
- 1.10 In conducting their investigation, the team has reviewed the relevant documentary materials from British Gas and Arvato, including voice recordings of visits conducted by Arvato agents; these were undertaken at the request of British Gas. Where appropriate, British Gas and Arvato employees were interviewed in relation to individual cases or particular policies or processes. I was also fortunate to draw on the insights of customer-facing employees serving on Centrica's 'Shadow Board' based on their experiences and knowledge of these installations. In the limited time available a small group of British Gas customers were also contacted to provide evidence on their own cases and customer complaints have been reviewed.
- 1.11 As well as scrutinising policies, processes and operating standards, a sample of cases were reviewed to establish if there was evidence of systemic non-compliance with the relevant legal and regulatory obligations. The investigation confirmed that the report of *The Times* of 1 February was based on the experience and insight of a journalist working 'under cover' at Arvato. *The Times* journalist provided Ofgem with material relating to 13 cases of PPM installations under warrant which was subsequently made available to our investigation; of these, 6 were attended by *The Times* journalist. In total, we established that *The Times* journalist either attended or had access to materials about 49 cases where an application had been made for the installation of a PPM under warrant by British Gas. As these 49 cases alone could not provide the basis for a statistically robust sample to inform an assessment of compliance with applicable laws and regulations on a systemic basis, a further 272 cases were randomly selected for review from PPM installations in 2022, following confirmation from Promontory that a sample of 321 cases would be statistically robust.<sup>6</sup>

- 1.12 In reviewing these cases, the assessment has first sought to establish whether the approach followed by Arvato and British Gas closely adhered to the documented policies and processes; as these policies have been found to either mirror or expand upon the prescribed legal and regulatory obligations, adherence was considered to be presumptive of compliance. In cases where there appeared to be a departure from the policy or process, the investigation team sought to assess on the facts of each case whether the installation of a PPM was consistent with the core legal obligation, namely that an installation should be 'safe and reasonably practicable' for the customer (which includes an assessment of whether or not the installation would cause severe trauma for the customer due to an existing vulnerability arising from their mental capacity or psychological state).
- 1.13 In a few instances involving complex facts, as I describe elsewhere in this Report, I have formed a judgement as to the appropriate conclusion in terms of compliance with the relevant legal obligations. However, I recognise that, based on the facts, another reviewer could equally form a different conclusion, which could be reasonable; these cases though are, in my view, a microcosm of the inherently subjective, uncertain and difficult nature of the judgements that representatives of energy suppliers must exercise on a daily basis when deciding whether or not to install a PPM under warrant.
- 1.14 To ensure that this investigation was as thorough and robust as possible, both *The Times* and Ofgem were asked to provide any additional information that was not already in the possession of the Centrica investigation team. Both organisations expressly confirmed to me in writing that there was no additional information to be provided beyond that which had been supplied previously. Accordingly, I am content to place weight upon these explicit assurances and am therefore satisfied that the investigation has been sufficiently comprehensive in the very compressed timeframe available.
- 1.15 The summary findings (together with any underlying reasoning), recommendations and wider observations are articulated in more detail in Chapter 5 of this Report. However, in brief, we have found as follows:
- 1.15.1 There was no evidence of systemic non-adherence to the applicable legal and regulatory obligations in the installation of PPMs under warrant, with 90% of cases reviewed found to be compatible with the legal framework (most of the remaining 10% being either inconclusive or requiring further investigation as detailed below). However, as is described further at paragraph 1.17 below, we have identified opportunities and areas for improvements in processes and practices as well as specific actions relating to certain groups of customers;
- 1.15.2 In 2 of the cases reported by *The Times*, the personal conduct of the Arvato agent (warrant officer) on the day of the visit departed from the required British Gas/Arvato policy and fell below the standards of behaviour expected by British Gas, for which the Centrica CEO has rightly apologised in public. In one of the cases, the Arvato employee failed to attempt to engage with the customer in the home before proceeding to switch remotely a smart meter to PPM mode. Our wider review of the voice recordings from visits to the homes of customers found that this type of conduct appeared to be unusual and, in general, the behaviour of Arvato employees was found to be professional and considerate in difficult circumstances;

5. FCA Required Functions Compliance oversight function (SMF16)

6. It has been drawn to my attention that, in the context of an industry-wide review of the adherence of obligations relating to customers in payments difficulties conducted in 2017-2018, Ofgem confirmed that a sample size of 153 cases was deemed to be robust

- 1.15.3 The remaining 4 cases highlighted by *The Times* were found to be compatible with the legal obligations described at paragraph 1.7 above;
- 1.15.4 There were no instances in which a warrant officer entered or 'broke into' the premises of a customer without a warrant granted by the court;
- 1.15.5 In the review of the 321 cases, there were 2 cases where we consider, ex post, that a PPM installation should not have occurred, from the perspective of the 'safe and reasonably practicable' requirement of the legal framework, given the personal circumstances of the customer (even though the customer was recorded as being satisfied with the installation further to a discussion with the Arvato warrant officer in both cases);
- 1.15.6 There were 13 cases (4% of the sample) where the evidence available does not fully explain why a PPM was installed on the day where there was a reference in the records to a vulnerability in the household;
- 1.15.7 There were 13 cases (4% of the sample) where on the data available, it was not possible to reach a definitive finding;
- 1.15.8 Policies and operational processes were largely found to either give effect to or expand upon the relevant legal and regulatory obligations in relation to PPM installations. Specific policies and materials relating to training and reward or incentives for Arvato agents were, on review, found to be appropriate and were not designed to encourage the installation of PPMs over other solutions (such as agreeing a payment plan) that might be more suitable for the customer.
- 1.16 Although we found no evidence of systemic non-compliance, we have identified actions or opportunities for enhancements to policies or processes through our review, which we hope will assist the British Gas management team in its preparations to ensure that the resumption of PPMs under warrant are compatible with the new Ofgem Code of Practice of 18 April 2023. In that respect, given that many of our recommendations are prospective in nature, we have taken due account of the provisions and expectations of the Code of Practice in the design of these recommendations. I also note that management for British Gas has taken the decision to not to outsource warrant-related activities to Arvato or to another third party any longer and henceforth will undertake these activities on an in-house basis; the design of specific recommendations has therefore also taken into account this further development.
- 1.17 The proposed actions or improvements relating to processes and practices (described in further detail in Chapter 5) in summary are:
- 1.17.1 In relation to the 2 cases highlighted by *The Times* involving the inappropriate behaviour of the Arvato employee, British Gas should attempt to contact the customers in question to understand whether a PPM remains an appropriate payment arrangement. We have confirmed that this action has been implemented, with the switch to a PPM for one customer reversed. In the other case, it has not been possible to contact the customer (with whom British Gas had been unable to establish contact even before the installation);
- 1.17.2 In relation to the 2 customers where, on balance, an installation was not appropriate, these customers should be offered the option to have the installation of the PPM reversed, together with an offer of compensation;

- 1.17.3 In relation to the groups of customers where the data captured by the warrant officer about the customer was insufficiently clear, further investigative work should be undertaken to determine whether any specific action or change in the payment type for a customer should be implemented;
- 1.17.4 Additional processes should be adopted to ensure consistency in the granularity of information recorded about individual customer vulnerabilities by warrant officers;
- 1.17.5 To the extent that management elects to retain variable compensation as part of wider remuneration arrangements for warrant officers, such compensation arrangements should be amended to enable clawback of payments for instances of conduct involving repeated, material departures from a prescribed policy or process;
- 1.17.6 Existing internal governance arrangements relating to the installation of PPMs under warrant should be strengthened to enable a more integrated and granular approach to the review of PPMs installed under warrant.
- 1.18 Finally, whilst it is outside the scope of this review to comment substantively on the future policy adopted by HM Government or Ofgem relating to the appropriate approach to be adopted in relation to energy customers who face financial difficulty, I note that much of the external commentary connotes a policy preference for these customers to be excluded in future from the scope of the process through which PPMs are installed under warrant (with some in the policy debate advocating the introduction of a social tariff and others proposing the outright prohibition on the use of PPMs).
- 1.19 It is not the primary purpose of this investigation report to assess the soundness or otherwise of such a policy. However, given that this policy discussion appears to be very much live, I do consider it appropriate to offer limited passing comment about the *implementation of such a policy* to the extent that such comment is based on the insights gleaned from this investigation. To the extent that a material change in policy is under contemplation, I would highlight the following:
- 1.19.1 The investigation revealed that the cases reviewed involved customers with an average debt of £1,176 from whom there had been no response over many weeks and months to several communications from British Gas. It is, therefore, critical that any policy change seeks to properly understand the consequences of what is in effect a debt waiver for a group of customers, resulting in the costs of such a waiver being borne by all other energy consumers or the UK taxpayer (to the extent that any relief is to be provided through general taxation). Our own review has established that today 75,000 British Gas customers are already excluded permanently from the scope of the PPM under warrant process because their circumstances would likely mean that the installation of a PPM would not be safe or reasonably practicable, resulting in what is effectively an aggregate unrecoverable debt of £90 million. This level of bad debt would inevitably increase very substantially across the sector in circumstances where regulatory policy stipulated that a PPM under warrant was no longer the appropriate solution for a consumer in financial difficulty.



1.19.2 Data sharing between HM Government (including relevant Government agencies, third sector organisations) and energy suppliers on physically or financially vulnerable customers must be improved as a priority, if necessary, through the introduction of the necessary enabling primary and secondary legislation, to ensure that suppliers are equipped with the appropriate insights to assist them in determining the appropriate course of action and in identifying those customers who should not be considered for a PPM. Our investigation has revealed the material limitations of data available to suppliers, which is exacerbated further in circumstances where customers do not engage with or contact their energy supplier. In some of the cases we have reviewed, debts of several thousands of pounds have been accumulated over many years by customers about whom British Gas has very little information (in some cases without even successfully obtaining the name of the customer).

**Explanation of the layout of the investigation report**

1.20 This Report is structured as follows:

- Chapter 2 provides important market context to this investigation with an overview of the PPM segment of the energy supply market, debt in the energy supply market and an overview of the role British Gas plays in the PPM market;
- Chapter 3 considers and describes the legal and regulatory obligations or voluntary commitments, together with an overview of any relevant interpretative aids applicable to the installation of PPMs under warrant, such as guidance. Chapter 3 further explains the regulatory policy governing PPM installations and how that policy informs an understanding of the assessment of compliance conducted in this investigation;
- Chapter 4 describes the British Gas and Arvato policies and procedures, how they exceed the requirements of the legal framework and explains the processes followed by British Gas and Arvato in accordance with those policies and procedures;
- Chapter 5 describes the findings of the investigation and recommendations for customer treatments, together with future improvements to processes or operational practices;
- Appendices 1 to 5 contain excerpts of relevant legal and regulatory obligations and British Gas and Arvato policies cited in the main body of this Report.

Raj Roy  
Group General Counsel & Company Secretary  
2 May 2023

# Chapter 2 – Market Context

## Energy supply in the United Kingdom

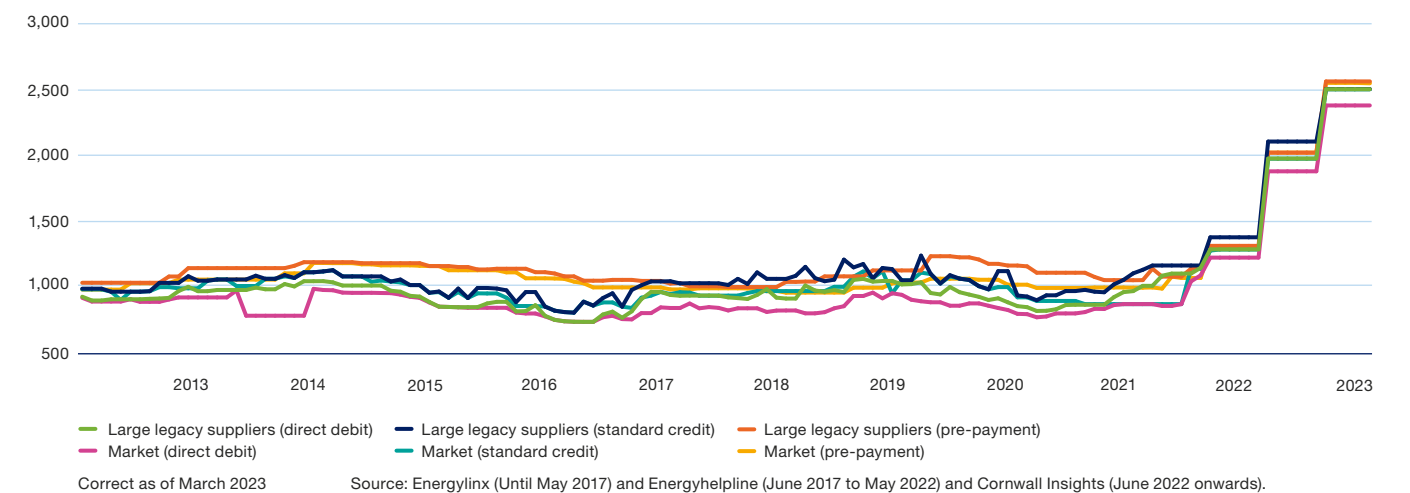
- 2.1 There are a number of features of the energy retail market that provide important context to this Report.
- 2.1.1 While the energy retail market is open to competition, regulation shapes the sector. In particular, there has been a price cap in place for prepayment meter customers, since 1 April 2017, which was later extended to all residential customers and then replaced in 2019 by the Default Tariff Cap (DTC)<sup>7</sup>. The DTC has itself been superseded as the cap on prices by the Energy Price Guarantee<sup>8</sup> for the period from 1 October 2022 (although the DTC continues to determine the profitability of the sector).
- 2.1.2 The DTC sets a limit on the maximum amount suppliers can charge for each unit of gas and electricity its customers use, and also sets a maximum daily standing charge. Ofgem sets the price cap using its own estimates of the different costs that efficient suppliers will face in the next price cap period, adding an element for supplier profit of 1.9% of revenue. However, as explained in paragraph 2.5 below, because suppliers have faced higher costs than estimated, the energy retail sector as a whole has been unprofitable since 2019.
- 2.1.3 Ofgem sets the price cap using a methodology that involves an assessment of the costs that would be incurred by an efficient supplier purchasing wholesale energy according to a prescribed commodity purchase strategy (plus a 1.9% margin). The operating expenditure element of this – of which bad debt is an element – is based on an assessment of the costs of the lower quartile supplier at the time the price cap was originally set (indexed in line with inflation). As such, the price cap gives suppliers a strong incentive to reduce costs, including in relation to the management of debt, to the level of the lower quartile comparator. This is consistent with the obligation the Domestic Gas and Electricity (Tariff Cap) Act 2018 places on Ofgem to improve the efficiency of suppliers.<sup>9</sup> Indeed, Ofgem itself stated when introducing the price cap in 2018, “We have set an operating cost allowance below large suppliers’ historical costs, sharpening incentives to reduce costs.”<sup>10</sup>

- 2.1.4 As the DTC provides an allowance for suppliers to recover bad debt; in practice all customers contribute towards the cost of bad debt incurred by customers that do not pay.
- 2.1.5 Different methods of payment come with different costs. This has historically been reflected in the different charges for customers allowed by the DTC depending on how they pay for their energy, be that by direct debit, standard credit or prepayment.
- 2.1.6 There are vulnerable customers (and conversely non-vulnerable customers) that use each of the payment methods.
- 2.1.7 Most suppliers supply all types of customers, but the distribution of customers across suppliers is uneven (i.e. with some supplying proportionately more customers on prepayment meters than others). There are also some specialist suppliers, such as Utilita, that focus on a specific segment of the market (in Utilita’s case, prepayment customers).
- 2.1.8 Approximately 4.1 million electricity and 3.3 million gas customers<sup>11</sup>, or 15% of UK domestic energy market<sup>12</sup> use a PPM as their payment method. Of these approximately 1.2 million are British Gas customers.

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- 2.2 These features impact on the outcomes observed in the market, including tariff levels, sector profitability and social provision of energy to those least able to afford it.
- 2.3 By way of illustration, Figure 1 below shows the cheapest tariffs faced by customers on different payment methods.
7. Default tariff cap: | Ofgem  
8. Price cap – Letter from BEIS on the cap’s role in delivering the Energy Price Guarantee (EPG) | Ofgem  
9. The Domestic Gas and Electricity (Tariff Cap) Act 2018 states that the Authority must have regard to “the need to create incentives for holders of supply licences to improve their efficiency” when setting the cap  
10. Ofgem, Decision, *Default tariff cap – Overview document*, 6 November 2018, p.6  
11. Consumer Protection Report: Autumn 2021 | Ofgem  
12. Total customer meter points

**Figure 1 Cheapest tariffs by payment method: Typical domestic dual fuel customer (GB)** Source: Ofgem data portal (£/year)



2.4 As well as the increases in tariffs experienced by all energy customers since late 2022, this chart also shows that prepayment and standard credit tariffs have historically been higher than for those paying by direct debit (reflecting the cost to serve differences faced by the market and, more recently, set in the DTC and the EPG which have acted as a price floor). However, since the EPG was introduced in October 2022 electricity rates for customers on PPMs have been cheaper than those paying by direct debit, cash or cheque. Although gas rates for customers on PPMs have remained more expensive than for customers who pay by direct debit this differential will close from 1 July 2023, following the Government's recent budget announcement<sup>13</sup>. In this context, it is worth noting that British Gas announced that it is implementing this change early, setting the prices PPM customers pay for gas at those paid by direct debit customers from 1 April 2023<sup>14</sup>.

2.5 Energy retail is a sector that has been under financial pressure for some time. Energy suppliers have been lossmaking in aggregate since 2019 with a pre-tax domestic supply margin (combined gas and electricity) of -2.55% in 2021<sup>15</sup>. This is alongside the unprecedented scale of supplier failure that has been seen in the last two years. There is no capacity in the sector to face additional efficient costs that cannot be recovered from customers. This has been recognised by Ofgem who recently noted, in the context of determining the appropriate price cap for PPM customers, that "any solution must enable suppliers to recover their efficient costs – simply cutting the PPM price cap level without reducing (or compensating for) the underlying costs of providing that energy would make PPM customers unviable for suppliers to serve."<sup>16</sup>

**Energy supply via prepayment meters**

2.6 Prepayment meters have been a popular payment method used effectively for many years. As noted above, by 2021 there were a reported 4.1 million electricity and 3.3 million gas prepayment customers across the industry.

2.7 Prepayment is a preferred payment method for many customers given the budgeting control it offers, particularly for those without bank accounts who are unable to pay by direct debit. For example, a recent white paper published by Utilita states that 86% of customers actually chose prepayment as a payment method of choice<sup>17</sup>. 59% adopted a prepayment meter upon

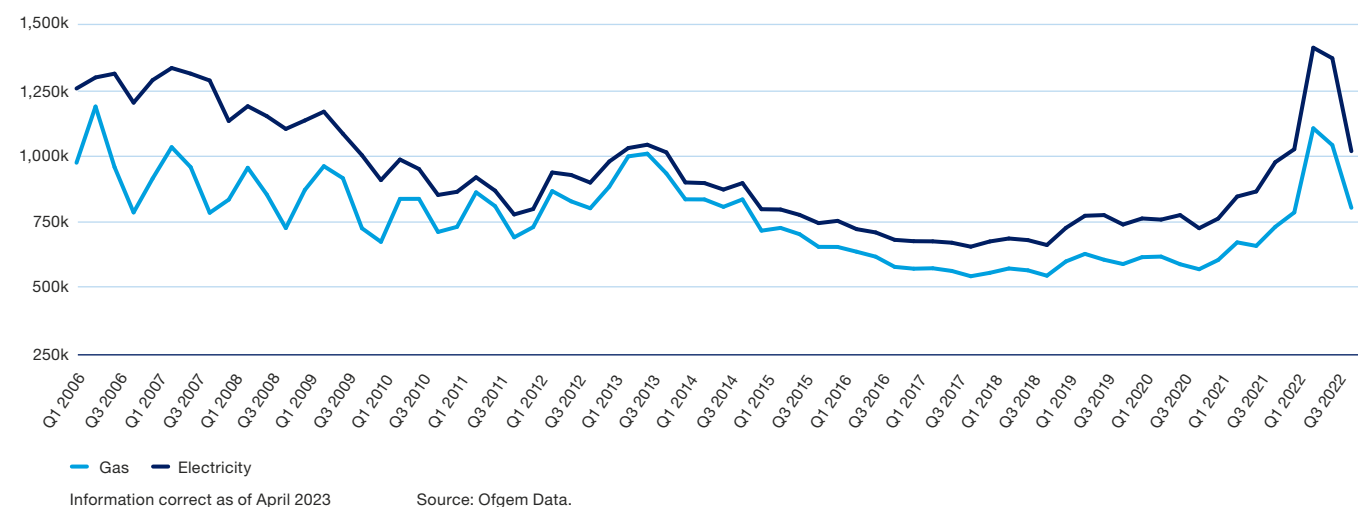
moving into their new home, and decided to keep this as their method of payment. 68% of households using prepayment meters would not choose to switch to credit mode today.

*For example a recent white paper published by Utilita states that 86% of customers actually chose prepayment as a payment method of choice<sup>17</sup>. 59% adopted a prepayment meter upon moving into their new home, and decided to keep this as their method of payment. 68% of households using prepayment meters would not choose to switch to credit mode today.*

2.8 Smart prepayment meters, which suppliers routinely install wherever possible, are particularly effective and receive high satisfaction ratings as they offer a number of advantages over legacy meters. For customers they are easier to use, given that they allow customers to top up on a website, via apps, phone or text, (while customers are still able to top up in retail outlets if they prefer). As such, they may be more appropriate for customers with certain vulnerabilities, particularly where these relate to mobility. Smart prepayment meters also provide better notifications of low running credit and provide better monitoring of self-disconnection, enabling suppliers to provide faster support and emergency credit if needed. In addition, smart meters can be remotely switched to prepayment mode (where safe and practical to do so), reducing supplier costs and customer disturbance, as well as ensuring that they can be easily switched out of prepayment mode if required.

13. Spring Budget 2023 (HTML) – GOV.UK (www.gov.uk)  
 14. The yearly saving for prepayment customers from this change will be £59 for an average dual fuel bill  
 15. Average reported gas and electricity pre-tax domestic supply margins of the large legacy suppliers. Source: Ofgem data portal  
 16. Prepayment meter rules and protections for domestic customers: a call for evidence, Ofgem (21 February 2023)  
 17. Pay As You Go: The solution to helping end self-disconnection – An Industry RED FLAG Report, Utilita, November 2022

**Figure 2 Number of accounts with a consumer repaying an energy debt**



Source: Ofgem data portal

**Customers in payment difficulties and the use of prepayment meters**

2.9 Many customers want to be in control of their finances so they do not run up a large debt that they are unable to service. The unique functionality offered by prepayment meters enables customers to better control the level of debt they get into. Further, keeping customers out of debt proves to be almost always in the long-term interest of those customers. It is therefore unsurprising that Ofgem has – for many years – made it a priority for suppliers to help customers “prevent the build-up of large and unmanageable levels of debt”<sup>18</sup>.

2.10 The financial pressures faced by customers have risen substantially over the last 18 months. As well as increases in retail energy costs, households have been dealing with increases in motor fuels, interest rate increases and broader inflation on other goods<sup>19</sup>. This puts further pressure on household finances and disproportionately affects low-income households, who spend a greater proportion of their income on energy, food and non-alcoholic drinks than richer households. This has led to the highest increase in energy debt we have seen in well over a decade, as shown in Figure 2 above.

**British Gas and prepayment meters**

2.11 As noted above there are now over 4.1 million electricity customers and 3.3 million gas prepayment customers. Of these approximately 1.2 million are British Gas customers. Approximately half of British Gas customers on PPMs have smart meters, which as mentioned above, have many benefits in terms of ease of use.

2.12 British Gas takes all steps required under its licence (plus often many additional steps as described further in Chapter 4 below) to support customers in domestic households who fall into debt, including those using PPMs. This includes providing advice on how to reduce costs, signposting to sources of debt assistance and offering alternative repayment options. British Gas also provides additional support to customers over and above that required by its licence, for example through the British Gas Energy Trust (BGET) which provides grants (up to £1,500 to help customers with energy costs) and advice on energy efficiency measures, fuel vouchers and budgeting advice to all energy consumers (irrespective of their supplier). Ahead of winter 2022/2023, British Gas made a number of additional commitments to help those of our customers with affordability issues including announcing that it would donate 10% of British Gas Energy's profits to support its most vulnerable customers for the duration of the energy crisis. This commitment was exceeded with £50 million ultimately being provided to support customers, including through £25 million of direct grants to help clear energy debts. In addition, British Gas committed an additional £10 million of support to its prepayment and vulnerable customers who are experiencing financial difficulty; and committed to only installing smart prepayment meters (where practicable) as part of warrant activity.

2.13 As noted above, prepayment meters are an option that can help households to control their spending and avoid getting further into debt, striking an effective balance between protecting customers from building up unmanageable debt and enabling suppliers to recoup it.

2.14 For suppliers, applying for a warrant of entry to install a PPM is always a step of last resort, i.e., where all other attempts to engage with the customer have proven unsuccessful. Only when a customer has been through the full debt journey, typically lasting many months (and, in some cases, years) will a warrant application be made (i.e., if the customer has not engaged or has stopped engaging with their supplier).

2.15 In 2022, British Gas installed 97,194 PPMs. 70,462 of these PPMs were installed at the customer's consent, 20,469 were installed under warrant, with the remainder involving smart meter remote switches.

*In 2022, British Gas installed 97,194 PPMs. 70,462 of these PPMs were installed at the customer's consent, 20,469 were installed under warrant, with the remainder involving smart meter remote switches.*

2.16 In relation to warrant-based installations, during 2022 British Gas applied for and received approximately 92,000 warrants to install a PPM. 58,300 of these cases were progressed to the stage where an Arvato warrant officer physically attended the property, but – as noted above – PPMs were only actually installed in 20,469 of these cases<sup>20</sup>. This was due to a number of factors including: agreement of a payment plan with the customer during the process, a dispute arising as regards the debt, operational issues and judgements made by British Gas or our agents that due to the characteristics of the customer determined it was not “safe or practicable” (or otherwise appropriate) to install a PPM.

2.17 Approximately one quarter (or 5,000) of the PPM installations under warrant were made in properties which were vacant at the time of installation.

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This is understandable, given PPMs are more prevalent amongst customers who rent their properties rather than owning them. This is supported by Citizens' Advice research that found nearly half of social housing tenants (43%) and nearly a quarter (23%) of private renters were on PPMs<sup>21</sup>. As a result suppliers tend to have better data on direct debit customers than PPM customers.

18. Vulnerability Report, Ofgem (2019), page 4  
 19. This includes food and non-alcoholic drinks, where prices have risen on average by 19.2% over the year to March 2023  
 20. Social Obligations Reporting 2022  
 21. PPM self-disconnection short report.pdf (citizensadvice.org.uk)



# Chapter 3 – Description and Analysis of the Legal and Regulatory Framework

## Overview of the legal and regulatory framework

3.1 The key legal and regulatory framework relevant to the installation of prepayment meters under warrant is contained in:

3.1.1 Primary legislation:

- The Gas Act 1986 (the “Gas Act”) and the Electricity Act 1989 (the “Electricity Act”) and together with the Gas Act, the “Acts”). The Gas Act applies to the licensing and supply of gas and the Electricity Act applies to the licensing and supply of electricity. The Acts are in similar terms in all respects as regards the installation of PPMs under warrant. Of particular relevance are: (a) Schedule 2B of the Gas Act (the “Gas Code”); and (b) Schedule 6 of the Electricity Act (the “Electricity Code”).
- The Rights of Entry (Gas and Electricity Boards) Act 1954 (the “Rights of Entry Act”) applies to all rights of entry conferred by the Gas Code and the Electricity Code and sets out what a gas or electricity supplier (a “Supplier”) must show in order to be granted a warrant to enter a premises, if needs be by force, to install a PPM. The key relevant primary legislation is set out at Appendix 1 of this Report.

3.1.2 **Licence conditions:** The Gas Supply Standard Licence Conditions (the “Gas SLCs”) and the Electricity Supply Standard Licence Conditions (the “Electricity SLCs”) and together with the Gas SLCs, the “SLCs”). The Gas SLCs apply to gas Suppliers and the Electricity SLCs apply to electricity Suppliers. The SLCs are in similar terms in all respects as regards the installation of PPMs under warrant. The key relevant conditions of the SLCs (each, a “Condition”) are set out in Appendix 2 of this Report.

3.1.3 **Ofgem guidance:** In supplying gas and electricity, Suppliers are required by the SLCs to have regard to certain of the directions and guidance issued by the Gas and Electricity Markets Authority (the “Authority”) (or by the Office of Gas and Electricity Markets (“Ofgem”) on behalf of the Authority). Although not all guidance issued by the Authority is legally binding, it may set out how the Authority interprets the legal and regulatory framework. The key relevant guidance is set out in Appendix 3 of this Report.

3.2 Importantly, recognising the useful role that PPMs play in helping customers manage their debt outlined in Chapter 2 above and the policy context further addressed below,

**There is an obligation on all suppliers under Condition 27.1 to offer customers a wide choice of payment methods which must include the option of having a PPM installed.**

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3.3 As explained in greater detail in Chapter 4, British Gas seeks to go above and beyond the requirements of the primary legislation and its licence conditions in several ways, including by becoming signatories to voluntary industry codes of conduct<sup>22</sup> and via the additional requirements set out in its own internal policies and procedures.<sup>23</sup>

## Description of key licence conditions

3.4 In summary, the following legal requirements apply to the installation of a PPM under warrant by a supplier:

3.4.1 A demand must have been made to the customer for sums owed, and no payment must have been received within 28 days of the demand.<sup>24</sup>

3.4.2 The sums owed must not be genuinely in dispute between supplier and customer.<sup>25</sup>

3.4.3 The customer must be given not less than seven days’ notice of the supplier’s intention to install a PPM.<sup>26</sup>

3.4.4 The customer must be given advanced notice of a warrant application hearing relating to their property, to give them an opportunity to challenge the application in court.<sup>27</sup>

3.4.5 A warrant must be obtained from a magistrate. In order to grant a warrant, the magistrate must be satisfied (upon receipt of sworn information from the applicant in writing) that:

- Admission to the relevant premises is reasonably required by the supplier for a permitted purpose;
- That the supplier is entitled by the relevant Act to enter the premises for the purpose for which the warrant is granted; and
- That the Supplier has complied with the requirements of the relevant Act.<sup>28</sup>

3.4.6 The warrant must be exercised within 28 days of it being granted.<sup>29</sup>

3.5 A Supplier must not fit a PPM under warrant where it is not “safe and reasonably practicable in all the circumstances” for a customer to use a PPM.<sup>30</sup>

3.6 A Supplier must not fit a PPM under warrant where to do so “would be severely traumatic” to a domestic 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”.<sup>31</sup>

3.7 A Supplier must take all reasonable steps to ensure that each Representative who visits a customer’s premises on behalf of the Supplier (including, for the avoidance of doubt, outsourced service providers) possesses the skills necessary to perform the

22. See Appendix 4, which sets out relevant details of the Energy UK Vulnerability Commitment

23. See Appendix 5, which sets out relevant details of British Gas and Arvato policies and procedures

24. Paragraph 7(1) of the Gas Code and paragraphs 2(1) and 2(3) of the Electricity Code. As a matter of practice, British Gas (or its Representatives) will also conduct a pre-warrant visit

25. Paragraph 7(5) of the Gas Code and paragraph 2(2)(a) of the Electricity Code. As a matter of practice, British Gas will also confirm that all residential debts exceed £100

26. Paragraph 7(3) of the Gas Code and paragraph 2(2)(b) of the Electricity Code.

27. As a matter of practice, British Gas (or its Representatives) send correspondence to the customer which provides at least 21 days’ notice of a warrant application hearing. Proof of this notice can also be provided to the magistrate on request

28. Section 2(1) of the Rights of Entry Act and, in relevant part, the Gas Code or Electricity Code. As a matter of practice, British Gas (or its Representatives) will also confirm to the magistrate that there is no evidence that anyone living in the premises is considered to be “vulnerable”

29. Section 2(4) of the Rights of Entry Act

30. Condition 28.1A

31. Condition 28B.1

required function and is a fit and proper person to visit and enter the customer’s premises.<sup>32</sup>

## Interpretation of licence conditions in the context of the policy objective

3.8 This section provides the policy context behind the licence obligations and further analysis of the key considerations applicable when considering and fitting a PPM under warrant in compliance with the SLCs.

### 3.8.1 The policy objective of PPMs under warrant

- The emergence of PPM installations under warrant as a key method by which debt in energy retail is managed dates back more than 20 years, when the primary concern of Ofgem was to discourage energy suppliers from resorting to disconnection of domestic premises for non-payment. Indeed, in January 2003 Ofgem and energywatch (the consumer body at that time responsible for protecting and promoting the interests of all gas and electricity customers in Great Britain) jointly published good practice guidelines for suppliers on preventing debt and disconnection. These guidelines recognised that the number of prepayment meters installed to recover debt was a positive indicator, particularly to the extent that increasing numbers of prepayment meter installations reduced the number of disconnections.<sup>33</sup>
- By 2008 – when Ofgem published its “best practice review” for debt and disconnection – the total number of customers disconnected for non-payment of their energy bill had decreased sharply. Amongst the factors noted as driving this positive change was “suppliers increasing the number of PPMs installed to recover debt as an alternative to disconnection.”<sup>34</sup> Indeed, this Report also reiterated that suppliers have a licence obligation to offer PPMs to customers. “Specifically, [energy suppliers] are required to offer a choice of payment methods, including using PPMs. In particular when they become aware that a domestic customer is experiencing payment difficulties, they are required to offer the facility for paying for their energy through a PPM as an alternative to disconnection.”

**“Specifically, [energy suppliers] are required to offer a choice of payment methods, including using PPMs. In particular when they become aware that a domestic customer is experiencing payment difficulties, they are required to offer the facility for paying for their energy through a PPM as an alternative to disconnection.” Ofgem**

- Over time, regulatory focus shifted to seeking improvements to the outcomes for PPM customers including where such meters were installed under warrant. For example, a consultation in December 2015 ultimately resulted in Ofgem prohibiting the installation of PPMs under warrant in a small number of exceptional circumstances – such as where this would be severely traumatic due to a consumer’s mental capacity and/or psychological state<sup>35</sup>.
- Since February this year, Ofgem has developed – in

association with energy suppliers and consumer groups – a new Code of Practice that articulates and further standardises the conditions and processes to be fulfilled by energy suppliers in the installation of PPMs under warrant. Requirements set out in this Code include suppliers making at least ten attempts to contact a customer before a PPM is installed under warrant and refraining from installing PPMs in the homes of certain categories of customers deemed at highest risk (such as customers who are over 85 years old).<sup>36</sup>

- Whilst the policy relating to PPMs has evolved so that PPM installations under warrant form an important part of the solution to both help customers to manage their debt and help suppliers to manage bad debt levels, there remains a fundamental policy question about what should happen if a customer cannot afford energy, despite the help on offer. In July 2022 eight major suppliers estimated that they would incur £1.3 billion of bad debt across 2022-23. This is compared with the much lower levels of £585 million and £522 million of bad debt in 2020-21 and 2021-22.<sup>37</sup>

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- The thrust of policy behind the use of PPMs under warrant has therefore been to help customers manage their debt in a way that does not involve suppliers extending credit to customers who are building up debt during that period that they cannot afford to repay. In other regulated markets, the extension of credit lines to those who are unlikely to afford their repayments is carefully regulated; for instance, in the financial services sector, we note that there are specific legal obligations on those who extend credit to customers to “have due regard to whether the credit product is affordable and whether there are any factors that the firm knows, or reasonably ought to know, that may make the product unsuitable for that customer”.<sup>37A</sup> In the energy sector, there is no such equivalent obligation placed on energy suppliers to ensure that customers can pay for their energy before supplying it on credit, but the installation of a PPM (under warrant or by customer request) should therefore be understood in policy terms to be a useful solution to mitigate the risk of customers building up debt that they cannot otherwise afford to repay.

### 3.8.2 Vulnerability

32. Condition 13.1

33. [https://www.ofgem.gov.uk/sites/default/files/docs/2003/01/preventing\\_debt\\_and\\_disconnection.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2003/01/preventing_debt_and_disconnection.pdf)

34. [https://www.ofgem.gov.uk/sites/default/files/docs/2008/01/debt-and-disconnection-best-practice-review\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2008/01/debt-and-disconnection-best-practice-review_0.pdf), page 14.

35. <https://www.ofgem.gov.uk/publications/proposals-improve-outcomes-prepayment-customers>

36. Involuntary PPM – Supplier Code of Practice | Ofgem

37. BEIS Committee Inquiry – Energy pricing and the future of the Energy Market

37A. Financial Conduct Authority, rules on creditworthiness and affordability, Consumer Credit sourcebook CONC 5.4 Conduct of business: credit brokers- FCA Handbook

- For the purposes of the SLCs, “*Vulnerable Situation*” means that the personal circumstances and characteristics of an individual customer or customers create a situation where they are significantly less able than a typical customer to protect or represent their interests; and/or they are significantly more likely than a typical customer to suffer detriment and/or that detriment is likely to be more substantial than a typical customer (Condition 0.9).
- As such, whether a customer is in a “*Vulnerable Situation*” expressly depends on their personal circumstances and characteristics, which means it is an inherently fact-specific question. For example, if a customer is struggling financially, it does not necessarily mean that they are in a “*Vulnerable Situation*” within the meaning of the SLCs.
- Whilst suppliers need to take known vulnerabilities into account in assessing whether it is appropriate to install a PPM in a customer’s home, the installation of a PPM in a home where there is a vulnerability is not prohibited *per se* under the SLCs. Indeed, Condition 28B.2 effectively contemplates that PPMs may be installed under warrant in circumstances where a customer has a vulnerability, but subject to a requirement that the costs associated with obtaining and exercising the warrant should not be charged to the customer where the vulnerability has “*significantly impaired their ability to engage with the supplier (or their representatives)*”, or where they have a “*severe financial vulnerability*”. Furthermore, as is described in further detail below, Ofgem’s own guidance on the interpretation of the licence conditions recognises that presence of vulnerability does not preclude the installation of a PPM.
- That approach is plainly consistent with the policy objective set out paragraph 3.8.1 above, since installation of a PPM can, in certain circumstances, serve as an important and beneficial payment solution to help customers manage their debt, including vulnerable customers.

### 3.8.3 Meaning of “*safe and reasonably practicable*”

- The Authority has issued guidance which sets out a series of non-exhaustive factors to be considered when determining whether it is “*safe and reasonably practicable*” to offer a PPM.<sup>38</sup> This non-exhaustive list of factors includes: (i) whether the customer “*is able to understand and operate*” the PPM; (ii) whether the customer “*lives quite a distance from any top-up outlets*”, which itself “*is likely to vary depending on the customer’s circumstances*”; (iii) whether the customer “*requires a continuous supply for health reasons, such as dependency on medical equipment requiring an electricity supply*”; (iv) whether the PPM “*is situated in a position...that means the customer could not operate the PPM*”; (v) whether the PPM would have to be “*situated outside or in a room which the household does not have continuous access to*”; and (vi) “*any advice/guidance received from the Health and Safety Executive*.”
- Whilst the guidance is not prescriptive and does not

attempt to address in detail the difficult question of, for example, what types of customer physical or mental health issues would deem a PPM installation in a household to be inappropriate, it is clear that the phrase “*safe and reasonably practicable*” is intended to refer to an assessment of whether a customer is physically and safely able (as opposed to financially able) to top-up the PPM, as well as an assessment of whether self-disconnection as a result of not topping-up a PPM would create a serious and immediate risk to the health and safety of that customer. The guidance also refers to the fact that “*...it is also possible that adults, other than the customer living in the premises, may be in a position to understand and operate the Prepayment Meter*”. This statement alone demonstrates the absence of an obvious ‘bright-line’ test that is to be applied in determining what is considered “*safe and reasonably practicable*.” Therefore, the assessment of whether it is “*safe and reasonably practicable*” for a customer to have a PPM fitted is a narrower test than whether the relevant customer is considered to be in a “*Vulnerable Situation*” and, as further detailed in paragraph 3.8.5 below, is reliant on a judgement being formed by British Gas agents and/or warrant officers based on the information available to them at the time.

- For completeness, when assessing the cases involving the installation of a PPM in a vulnerable customers’ home, the investigation team has reviewed the vulnerabilities of those customers on a case-by-case basis, based on the information available to British Gas on the date of installation, and, further to that review, I have made a careful judgement as to whether that installation was “*safe and reasonably practicable*” in all of the circumstances. As part of this assessment, I have also considered whether the installation may have been “*severely traumatic*” to the customer due to “*existing vulnerability which relates to their mental capacity and/or psychological state and would be made significantly worse by the experience*”.<sup>39</sup>

### 3.8.4 Standards of Conduct

- In addition to the specific conditions relating to the installation of PPMs under warrant listed above, the “*Customer Objective*” in Condition 0.1 of the SLCs requires Suppliers to ensure that each domestic customer, including any domestic customer in a vulnerable situation, is treated “*fairly*”. Condition 0.9 provides that a Supplier would not be treating a customer fairly if their actions or omissions (or those of its Representatives) gave rise to a likelihood of detriment to a domestic customer unless that detriment would be reasonable in all the relevant circumstances.
- The requirement to treat domestic customers fairly is

an overarching principle against which situations will be assessed and actions evaluated by the Ofgem, but it does not prescribe any additional concrete requirements or prohibitions. It is not a standalone obligation and must be interpreted and applied to determine the appropriate application of other express rules and requirements of the SLCs, and not so as to conflict with or cut across the content and design of other specific and applicable requirements.

- For example, as recognised in guidance issued by Ofgem in applying Condition 0, Ofgem recognises that Suppliers need to carry out legitimate commercial activities (such as charging for services) and their ability to exercise their rights under statute is preserved, as long as they are exercised lawfully and proportionately.
- Further, assessing fairness is necessarily reliant on the characteristics of individual customers. Fairness (or otherwise) must therefore be interpreted both in line with the aims and content of the SLCs regime and as applied to the specific facts in question.

### 3.8.5 Applying judgement based on the information available at each stage in the process

- The application of legal and regulatory framework, when supplemented still further by British Gas’ policies and procedures detailed in Chapter 4 below, results in a lengthy and multi-faceted process. It requires, among other things:
  - the approval of the Court; and
  - the textured and nuanced judgement of a number of individuals at British Gas (or its representatives, Arvato) who are involved with the facts of each case, to be applied to key criteria and tests, on a repeated basis.
- There are a number of in-built checks and balances in the legal framework and British Gas policies and procedures, in particular:
  - The clear and well-established mandatory Court process of applying for a warrant in these circumstances, which means that before the installation process can progress to completion, a magistrate will need to be satisfied that the relevant legal tests have been satisfied – and Arvato also has to provide sworn confirmation that the information it has provided to the Court has satisfied such tests.<sup>40</sup>
  - If at any stage it is considered by British Gas (or its

representatives) that fitting a PPM would be either: (i) not be “*safe and reasonably practicable*” for the customer; or (ii), “*severely traumatic [for the customer] due to an existing vulnerability which relates to their mental capacity and/or psychological state*” which “*would be significantly made worse by the experience*”; the policies provide that the process will not proceed and the customer will be referred to the British Gas Debt Customer Care Team (“*DCC Team*”) for further assessment – whose role it is to assist vulnerable customers and to devise the best possible course of action to resolve the outstanding debt.

- There is continued opportunity throughout the process (set out in more detail at Chapter 4 below) for such judgements to be reconsidered and updated. Equally, as with any such process, it is also therefore the case that such a process can and will, for the reasons described in this chapter about the design and interpretation of the legal and regulatory framework, result in different outcomes based on the judgement of the specific individuals involved throughout a process.
- Further, British Gas will have made significant attempts to make contact with the customer prior to obtaining a warrant and during the PPM installation process under warrant but these repeated contact attempts are often unsuccessful. In these circumstances, British Gas or Arvato employees must apply their discretion based on the sometimes very limited information available to them. This challenge is expressly acknowledged by Ofgem in its newly published Code of Practice for the installation of PPMs under warrant which provides that “*In circumstances where suppliers have attempted contact via multiple channels and conducted a site welfare visit but have been unable to establish with certainty the level of detriment in association with medium risk characteristics and/or financial assessments, suppliers should apply their own discretion on progression to involuntary PPM, noting that any move to PPM may need to be reversed if vulnerabilities are subsequently discovered in the household*”.<sup>41</sup>

**“In circumstances where suppliers have attempted contact via multiple channels and conducted a site welfare visit but have been unable to establish with certainty the level of detriment in association with medium risk characteristics and/or financial assessments, suppliers should apply their own discretion on progression to involuntary PPM, noting that any move to PPM may need to be reversed if vulnerabilities are subsequently discovered in the household”.**<sup>41</sup> Ofgem

38. [https://www.ofgem.gov.uk/sites/default/files/docs/2016/03/open\\_letter\\_-\\_authorities\\_decision\\_to\\_modify\\_the\\_safe\\_and\\_reasonably\\_practicable\\_guidance\\_-\\_final.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2016/03/open_letter_-_authorities_decision_to_modify_the_safe_and_reasonably_practicable_guidance_-_final.pdf)

39. Condition 28B.1

40. Section 2 of the Rights of Entry Act

41. Ofgem, Supplier Code of Practice, paragraphs 3.1-3.2



# Chapter 4 – Policies, Procedures and Processes

## British Gas and Arvato policies and procedures

- 4.1 As noted earlier, British Gas has its own policies and procedures which set out how it will consider and execute a warrant to fit a PPM. Crucially, these not only reflect the legal and regulatory requirements summarised at Chapter 3 above but also go beyond particular aspects and requirements of the primary legislation and the SLCs. For example, they do go beyond the SLCs in the following ways:
- 4.1.1 Whereas an assessment of “Vulnerability” in the SLCs relates to the specific gas or electricity customer, British Gas takes a significantly broader approach and applies its assessment of “Vulnerability” to the entire household.
- 4.1.2 Although not required to do so, British Gas undertakes a pre-warrant visit to relevant customers prior to seeking to obtain a warrant.<sup>42</sup> At this pre-warrant visit, British Gas commits that it and its Representatives<sup>43</sup> should make “every effort” to assess whether there is a household Vulnerability.
- 4.1.3 The key British Gas and Arvato policies and procedures are set out in Appendix 5 of this Report.
- 4.2 The necessary corollary from the existence of such expansive policies and procedures, is that non-compliance with those policies and procedures cannot necessarily be regarded as representing a breach of the (narrower) SLCs.

## Description of the PPM under warrant process

- 4.3 The end-to-end customer debt journey that precedes applying for a warrant to install a PPM is extensive and, even if a warrant is ultimately applied for, more often than not, it does not result in the installation of a PPM under warrant (as noted above, in 2022 of approximately 92,000 warrants applied for only 20,469 ultimately resulted in the installation of a PPM). Initiating the warrant process occurs only at the end of a lengthy period in which British Gas has sought to engage a customer on several occasions to discuss potential repayment options, which include repayment plans that are affordable for the customer, and where the duration of such a plan can exceed 12 months. In 2022, British Gas customers who had a PPM installed under warrant, on average, had accumulated £1,255 of debt and had been in debt for an average of 449 days prior to the PPM install.

***In 2022, British Gas customers who had a PPM installed under warrant, on average, had accumulated £1255 of debt and had been in debt for an average of 449 days prior to the PPM install.***

- 4.4 Our investigation has established that on average, it takes around five months (but often far longer) to physically attend the property on a warrant visit, as the customer will first go through each stage of the debt process after the initial bill has been issued and significant debt remains on the account.
- 4.5 While the specific process followed will vary depending on customer circumstances, a typical process would be as follows:
- Day 1: Initial Bill
  - Day 10: SMS/Email/Letter/Interactive Voice Contact
  - Day 16: Reminder Letter with email and SMS Prompt

- Day 28: Letter (or SMS/email) to make the customer aware that British Gas may pass their details to a Debt Collection Agency (DCA)<sup>44</sup>
- Day 36: Letter from the DCA (email and SMS) advising the customer that their details are now with the DCA and they plan to try to collect on our behalf
- Day 43: Field Visit Letter (email and SMS) – which is sent ahead of any field activity
- Day 50: Field visit – visit completed by the DCA

- 4.6 Once the outcome of the field visit result is received, British Gas will again send communications by SMS and email to the customer ahead of planning any action under warrant.
- 4.7 Applying for a warrant of entry is a step of last resort, i.e., where all other attempts to engage with the customer have proven unsuccessful. Only when a customer has been through the full debt journey will a warrant application be made (i.e., if the customer has not engaged or has stopped engaging with British Gas). Approximately 21-26 days before to the court hearing for the application for warrant British Gas send a letter known as a “Human Rights letter” to the customers which explains what is happening and gives the customer the opportunity to contest. The customer can choose to contest at this point and can request a local court hearing for their case.
- 4.8 Prior to the application for a warrant, British Gas will complete the following checks:
- 4.8.1 A risk-based assessment of any vulnerability indicators on the customer's account;
- 4.8.2 Customers are considered based on PSR indicators; extra communications offering specialist support are provided and those deemed to be extremely vulnerable are referred to the British Gas Debt Customer Care (DCC) Team, who can provide individual support and secure a suitable resolution, including helping the customer to engage with external organisations who may be able to provide further support and financial advice;
- 4.8.3 Ensure that there are no open complaints or disputes on the customer's account;
- 4.8.4 Complete comprehensive occupier verification and postal address checks.
- 4.9 Within 24 hours of the warrant execution, a further final check is completed for any new information on the customer's account that would mean that a warrant is no longer needed e.g., customer had set up a payment plan, paid in full, or any new vulnerabilities had been recorded that may make the PPM installation no longer safe or practicable.
- 4.10 Even after a warrant has been granted, British Gas will not proceed with the meter exchange if it is not safe or practicable for the customer. In the case where this is due to a customer vulnerability identified on the day of the warrant, the warrant

42. Section 6.4.4 of the British Gas Policy and Standards on Field Activities Relating to British Gas Energy Customers in Payment Difficulty  
 43. A “Representative” of a Supplier means “any person directly or indirectly authorised to represent the [Supplier] in its dealings with customers” (Condition 1.3)  
 44. British Gas engages a panel of debt collection agencies to assist with the collection of final debt

officer would be required to contact the DCC Team directly to initiate a referral and agree the most appropriate course of action. Post installation, in line with the British Gas policy designed to give effect to the ‘safe and reasonably practicable’ obligation, British Gas will revert a customer back to a credit meter (from PPM) if the meter is found to no longer be suitable based on information we may have received after the installation.

- 4.11 The specialist DCC Team offers individual debt case management for all referrals and guidance on when to ‘Safeguard’, ‘Protect’, ‘Help’ and ‘Empower’ customers. This includes where the customer may be unable to manage their personal welfare or that of other household members due to their medical or personal circumstances, cognitive abilities or mental health and the customer's financial situation is severely affecting their mental health, e.g., anxiety that is debilitating. The DCC Team also offers support and advice to customers on the potential benefits that the Government offers (and their eligibility for such benefits) together with liaising with third parties on behalf of the customer; including referrals to third-party support organisations (and charities) and / or providing more time to pay.

## The role of Arvato in the warrant and installation process

- 4.12 In 2019 British Gas conducted a comprehensive procurement process including a full market review of debt field suppliers prior to appointing Arvato in January 2020 to provide debt services, including end to end warrant activity for the installation of PPMs. At that time, Arvato had a proven track record in delivering end to end debt field solutions and was completing warrant activity for several other companies, including energy suppliers. Arvato were also an existing supplier to British Gas of other services and in that context had a proven track record in managing health and safety risks to the requisite British Gas standards and adhering to quality assurance requirements.
- 4.13 Since 2020, Arvato has provided, as a service to British Gas, a variety of collection activities for the resolution of domestic and non-domestic debt. Arvato is responsible for providing all these services in line with British Gas policies and standards and in accordance with all applicable legislation and regulations.
- 4.14 These services include:
- 4.14.1 Initiating customer contact to agree a suitable payment resolution. Communications are made through letter and telephony, with both inbound and outbound contact.
- 4.14.2 Offering digital and self-serve applications and utilising communications through multiple channels – SMS, email, Interactive Voice Messaging.
- 4.14.3 Field visits to attempt contact with the customer. This includes identifying vulnerability (where possible); debt resolution (collecting outstanding debt, arrangements for repayment of outstanding debt and agreeing payment plans for future bills) and taking payments. Also, Arvato will attempt to confirm meter details; obtain a meter reading and/or gather other specific data/information as requested to help the resolution of an account.
- 4.14.4 Warrant Services – planning warrant activity, including sending warrant letters to customers. Application to the Courts for the Right of Entry Warrant and then executing the Warrant to gain access to the customer's premise supplied with gas and/or electricity for the purposes of disconnecting or exchanging the credit meter to a PPM where there is an outstanding debt.

4.14.5 Overall control of the warrant execution, including instructing locksmiths, experts who manage customers' dogs where required, together with instructing the British Gas engineer if a PPM installation is needed.

- 4.15 Arvato is also responsible for:
- 4.15.1 Initial engagement and debt collection correspondence with customers post referral from British Gas. This can be via a combination of letter, email, SMS and outbound dialling based on available customer contact information.
- 4.15.2 Providing a telephony contact centre to respond to any customer queries and attempt to reach a successful resolution with the customer.
- 4.15.3 Conducting a field visit, if initial correspondence does not result in a debt resolution and before a warrant application is made, to attempt to engage with the customer, to carry out a further assessment of the customers circumstances where possible, and to reach a successful repayment agreement with the customer or agreement to install a prepayment meter (where applicable).
- 4.16 Once a customer account has been referred to Arvato, Arvato plans the warrant activity for a future date (typically six weeks in advance) and will apply for a warrant with an appropriate Magistrates Court. If granted, warrants are then used within 28 days.
- 4.17 When executing a warrant, Arvato carries out a risk assessment on the property before entering it, which will include a decision on whether a locksmith or an expert who can manage a customer's dog is needed. As with the initial field visit, the Arvato representative will identify and record any vulnerability which is apparent either from the discussion with the customer or through observations which may indicate vulnerability within the property (such as medical equipment). If the customer is present, they will discuss payment arrangements and payment options to see if a resolution can be agreed. If the customer is not present and/or a suitable payment arrangement is not agreed, then the Arvato representative will determine if it is safe and practicable for a PPM to be installed. If an installation is not safe and reasonably practicable, then the PPM installation will be abandoned.
- 4.18 Arvato is instructed to give effect to an instruction from British Gas to look after its most vulnerable customers and to provide the relevant help and support (as required), based on the customer's individual circumstances, health and capability.
- 4.19 Arvato has instructions to only authorise the installation of a PPM if safe and practicable for the customer and would not leave the customer in a vulnerable situation. Where there is any doubt about the customer's individual circumstances, the British Gas DCC Team is available by phone to provide support for the representative to discuss the vulnerability and agree the appropriate course of action.
- 4.20 Instructions provided to Arvato stipulate that PPM installations should be abandoned where it is identified that:
- 4.20.1 There is evidence to suggest that the fitting of a prepayment meter under warrant would be severely traumatic for the customer due to their mental capacity and/or psychological state, which could be made significantly worse by continuing with the warrant process, and/or;
- 4.20.2 It is not safe and practicable for the customer.
- 4.21 Quality Assurance (QA) is undertaken by Arvato to monitor the effectiveness and performance of the field representatives, underpinned by calibration checks performed by British Gas.



# Chapter 5 – Investigation findings and recommendations

- 5.1 As described in Chapter 1, our investigation has sought to assess the compliance of British Gas with its core legal and regulatory obligations relevant to the installation of PPMs (which are described fully in Chapter 3) with reference to the following:
- 5.1.1 The 6 cases reported by *The Times* and related material disclosed by Ofgem;
  - 5.1.2 An additional 43 cases involving PPM installations under warrant which *The Times* journalist either attended or commented upon through access to documentation when employed by Arvato;
  - 5.1.3 A further 272 cases involving PPMs installed under warrant by British Gas over the course of 2022;
  - 5.1.4 A review of the relevant policies, processes, systems and controls that underpin the ability of British Gas to discharge the legal and regulatory obligations relevant to the installation of PPMs under warrant.

## Case reviews

- 5.2 In reviewing these cases, our approach has been first to establish whether the approach pursued by Arvato and British Gas employees was consistent with the relevant policy or procedure. As explained in Chapter 4, these policies or procedures either mirror or go beyond what is required by the legal and regulatory framework in a number of instances; it is therefore reasonable and legitimate to conclude that such cases handled by British Gas and Arvato that are found to be consistent with such policies and procedures are also deemed compliant with the applicable law and regulation.
- 5.3 A significant proportion of the time and resources of the investigation has consequently been focused on addressing those cases where a departure from the prescribed policy has been observed by the investigation team. Whilst the default expectation for British Gas is consistent adherence to the policy in force, from the perspective of the investigation, it is necessary to undertake a second stage analysis to establish whether the facts of individual cases point to a course of action that is incompatible with the relevant legal obligations. As noted above, the relevant policies or procedures go beyond what is required by the legal and regulatory framework in a number of instances so a deviation from policy does not necessarily amount to a failure to comply with the applicable law or regulation.
- 5.4 It is an inescapable fact that, as a general principle, laws, regulations and guidance cannot perfectly anticipate all of the potential scenarios and events which they seek to regulate. This is to make no criticism of those involved in the drafting of the law or regulatory guidance, who face a very difficult task. In some instances, subsequent technological innovation or developments may even highlight a gap in the existing legal framework where the law is incapable of adapting to such developments, which may prompt the need for a further legislative intervention following the necessary policy consultation process.
- 5.5 Any assessment of compliance with applicable laws and regulations necessarily involves relating the facts to the underlying policy purpose and a degree of judgement as to the interpretation and application of the law to these specific facts. This is particularly true when assessing compliance with laws and obligations relating to the installation of PPMs. The law itself in this area, with its references to broad, wide-ranging and qualified terms such as 'safe and *reasonably* practicable' [emphasis added] and 'psychological state' of the customer (as described more fully in Chapter 3), when taken together with the accompanying guidance from Ofgem, implies a subjective as well as an objective assessment or judgement by those charged with its implementation. There is, as highlighted earlier in my report, no obvious bright-line test that can be applied in the interpretation and operation of the law. Such a legal framework therefore inevitably confers a margin of discretion on employees of energy suppliers as to the appropriate course of action and therefore creates the scope for potentially divergent approaches, all of which may be entirely reasonable or justifiable on the facts.
- 5.6 In reviewing the 321 cases, it is difficult to do justice in this Report to the highly complex and sensitive nature of the facts and customer interactions that I have observed and that are a feature of these cases. They may involve engagement (or attempted or intermittent engagement) with customers over many weeks, months and (in some cases) years relating to debts that have been accumulated over this period. Each case presents very different individual customer characteristics and circumstances, which means that there is no obvious one-size-fits-all approach or methodology that can be adopted; the compliance assessment will accordingly turn on the facts of each case.
- 5.7 To illustrate this point, I provide four example case studies below which the investigation team has reviewed and ultimately formed a conclusion. As can be seen below, each case contains facts that shed important light on the difficulties in serving this particular customer segment of customers in the retail supply market, the scope for divergent approaches in the application of the legal and regulatory framework, the challenges in reconciling a wide range of considerations and the difficult choices to be made by employees of energy suppliers (or third parties acting on their behalf) when faced with the facts.

### Case study 1

The customer, who was on the Priority Services Register due to physical vulnerabilities, had accumulated over £9,000 of debt. During the warrant visit, it was noted that: (a) the property was vacant; (b) there was no furniture; and (c) there was a 'For Sale' sign outside. The customer had also previously confirmed through conversations with British Gas contact centre agents prior to warrant activity being commenced that the property was unoccupied (although it should also be noted that the customer did not attempt to make any payments towards the debt in these calls).

In this case, the investigation concluded that the installation was appropriate given the property status and the fact that any customer vulnerabilities did not preclude the warrant activity and subsequent prepayment installation.

**Time in Debt Path – 12 months**  
**Debt – over £9,000**

### Case study 2

A customer had over £650 of debt on the account which had been building up since British Gas inherited this customer from a failed supplier in November 2021. No vulnerability information was provided by the previous supplier.

During the warrant visit, the customer was present; the Arvato agent assessed that it was unlikely that the customer would be able to afford to top up the PMM and was therefore at risk of self-disconnection. The agent further identified young children residing in the property (between 3 weeks old and 7 years old). This information was provided to our Debt Customer Care teams and the installation was, in the light of the information provided, not progressed.

**Time in Debt Path – 8 months**  
**Debt – over £650**

### Case study 3

The customer had accumulated c.£1,700 worth of debt without a payment in the previous 10 months.

In addition to the mental health vulnerabilities recorded on the account pre-warrant, the Arvato employee established that the customer was 5 weeks' pregnant and her disabled son was living with her in the property. It was also confirmed during the warrant visit that the property was classified as a domestic violence safe house; this information was not available to British Gas prior to warrant application. Under the British Gas process, these vulnerabilities would have ordinarily prompted a conversation between the warrant officer and our Debt Customer Care teams to further assess the suitability of a prepayment installation.

However, it was clear when listening to the warrant recording that the customer was happy for the installation to go ahead and had in fact repeatedly requested a prepayment meter be arranged via the council, but the council had refused this request. The customer further stated at one point that she had purposely allowed the debt to build up so that British Gas would install a prepayment meter. In these circumstances, the prepayment meter was fitted.

**Time in Debt Path – 12 months**  
**Debt – over £1,700**

### Case study 4

The customer, who had accumulated over £13,000 of debt, had failed to make a payment for over 10 years. Previous attempts to agree a payment plan with this customer had failed.

When warrant activity was started in 2022, the Arvato warrant officer spoke with the British Gas DCC team when he was on-site and talked in detail about the nature of the mental health issues the customer had explained. However, it was clear when listening to the warrant recording that the customer was happy for the installation to go ahead and had in fact repeatedly requested a prepayment meter be arranged via the council/local authority, but the council/local authority had refused this request. The customer further stated at one point that she had purposely allowed the debt to build up so that British Gas would in fact install a prepayment meter. In these circumstances, it was considered reasonable that the prepayment meter was fitted.

The extensive QA and calibration undertaken in our investigation concluded that this installation was, on balance, compatible with the applicable licence conditions because the warrant officer undertook a comprehensive assessment on-site and formed a reasonable judgement that the prepayment meter would be in the best interests of the customer following extensive engagement with the customer.

**Time in Debt Path – 124 months**  
**Debt – over £13,000**

- 5.8 The review of these 321 cases does not reveal any systemic failure on the part of British Gas to comply with relevant legal and regulatory obligations described in Chapter 3.
- 5.9 In general, we observed, through the extensive review of the notes, records and voice recordings in the past three months an awareness on the part of Arvato warrant officers and British Gas employees of the need to take account of and respond appropriately to sensitive questions of vulnerabilities in making decisions about whether to install a PPM under warrant. As a rule, the voice recordings point to behaviour that was largely courteous and appropriate in circumstances that are naturally difficult for customers.
- 5.10 Our sample of 321 cases included the 49 cases in which *The Times* journalist was either involved or where the journalist was able to review material relating to PPM installations under warrant. From this review of the sample of 321 cases, we have been able to establish and conclude the following:
- 5.10.1 293 cases (just over 90% of the sample) were considered to be compliant with the requirement to ensure that installations of PPMs were safe and reasonably practicable (including the need to assess the potential adverse impact of the installation on the mental wellbeing on the customer);
- 5.10.2 2 cases were, on balance, considered to involve an installation, where given the personal circumstances of the customer involving physical vulnerabilities, an installation was not appropriate from the perspective of the requirement that an installation is “safe and reasonably practicable”:
- These 2 cases involved situations where the customer was recorded as being satisfied with the installation of a PPM following a thorough and open discussion with the Arvato warrant officer about the installation and operation of a PPM;
  - Whilst I understand why, for the reasons described in paragraphs 5.2-5.6 above, the Arvato warrant officer formed a conclusion that the installation was reasonable, when taking account of the relevant guidance, I consider that these installations should not have proceeded.
- 5.10.3 13 cases involved instances where the Arvato warrant officer had proceeded with an installation without recording in sufficient detail how previously documented vulnerability considerations had been discussed with the customer;
- 5.10.4 13 cases contained insufficient data in the records available to enable a conclusion to be formed in the time available. This volume is consistent with that usually found in historic compliance reviews by the second line compliance assurance team and Promontory;
- 5.10.5 There was no evidence of any Arvato warrant officer or British Gas engineer entering the premises of a customer without a warrant issued by the magistrates’ court. As such, I find that there has been no instance of ‘breaking and entering’ into properties as might be properly understood in the context of the civil offences of trespass or interference with property rights.
- 5.11 As part of its review, the investigation also considered the 6 cases reported upon by *The Times* and found that the behaviour of the Arvato agent in two of these cases departed from the required policy and fell below the standard of conduct expected by British Gas of its employees or third parties acting on its behalf when engaging with customers or operating in their homes. However, the facts in these cases did not indicate that the installation of the meter was incompatible with the requirement that a PPM should be safe and reasonably practicable. In both cases, the investigation has confirmed that the customers are operating the PPMs that were installed. More generally, the investigation concluded that the conduct of the Arvato employee did appear to be an anomaly based on all of the recordings of the 321 visits that were reviewed. For completeness, the remaining 4 installations reported upon by *The Times* journalist were all found to be compatible with the relevant licence conditions.
- 5.12 My recommendations for any remedial actions are described in further detail below. However, in respect of the two specific cases mentioned above and highlighted by *The Times*, Centrica’s CEO has rightly issued an apology for the behaviour observed and British Gas has sought to contact both customers to discuss the reversal of the installation of the PPM and the scope for alternative payment arrangements in relation to the debt that has been accumulated:
- 5.12.1 In one of the cases (where a smart meter was switched to operate in PPM mode without an effort to engage the customer on the day of the visit), the customer requested that a smart meter operating in PPM mode should be reversed, which has been implemented;
- 5.12.2 In the other case involving a customer with a debt of c.£1,800 who had been uncontactable for over 18 months prior to the installation, repeated further attempts to engage the customer have regrettably continued to be unsuccessful.
- 5.13 Within the sample reviewed, the investigation identified 14 cases where the customer was not present in the home at the time of the installation. Whilst these cases involved some references to vulnerability being recorded in the property, I have found that installations in these circumstances were able to proceed in light of the fact that the installation occurred at the end of an extensive process involving numerous efforts to contact the customer and validate any relevant vulnerabilities in the home. The following considerations are also relevant:
- 5.13.1 In this context, I note that Ofgem’s latest guidance confirms that energy suppliers are able to proceed with installations where repeated efforts to engage with customers through a range of channels have elicited no insight or information about the circumstances of the individual customer.<sup>45</sup> In the cases in question, the investigation has confirmed that customers had been in debt for over 600 days on average and had average debt of £630;
- 5.13.2 However, as a precaution, and consistent with the ‘aftercare’ aspect of the new Code of Practice,<sup>46</sup> I recommend that the British Gas Debt Care team seek to determine again whether it is possible to validate or update the vulnerability records relating to this group of customers to determine whether any further action is appropriate.

45. Ofgem, Involuntary PPM – Supplier Code of Practice, paragraph 2.17

46. Ofgem, Involuntary PPM – Supplier Code of Practice, paragraphs 3.1-3.2

- 5.14 The investigation also established that the costs of applying for and executing a warrant were erroneously applied to 3 customers who were in debt. There were a further 3 cases where warrants were erroneously applied for but in those cases the costs of the application were not applied to the customers. These customers had previously requested a PPM and whilst the installation of a PPM presented no risk to the customer (from the perspective of the ‘safe and reasonably practicable’ angle), a warrant was not required to enable the installation of a PPM. Refunds of these charges (with the applicable interest rate), together with an appropriate additional compensation payment (drawing on any guidance from The Energy Ombudsman), should be provided and this remediation activity has already been set in motion.

### Systems and controls

- 5.15 As a general principle, we found the systems, controls and processes put in place by British Gas to be extensive and designed to achieve an appropriate outcome for customers in the context of what are invariably difficult circumstances and against the legal framework and the policy intent that underpins it. Specifically, we found a number of areas of good practice:
- 5.15.1 A robust contractual framework with Arvato was in place, which provided the necessary architecture to govern the relationship between British Gas and Arvato, through the stipulation of clear obligations, standards and penalties (where appropriate);
- 5.15.2 Policies and procedures relating to the installation of PPMs under warrant were well-documented and found to be consistent with or to exceed the requirements of the legal and regulatory framework applicable to British Gas. Examples of these aspects of the policy can be found in Chapter 4 of this Report; We identified some minor inconsistencies in the versions of documents being adopted in different operational teams, which highlighted the need to review and amend the process governing version control of documents;
- 5.15.3 Systems and technology had been adopted which were designed to provide assurance over the conduct of employees and the customer experience. Specifically, we note that British Gas requested the adoption and use of voice recording facilities by Arvato employees when engaging with customers in the home, a capability that Arvato did not otherwise provide to energy suppliers;
- 5.15.4 Remuneration and incentives in relation to variable compensation, at the request of British Gas, did not seek to attach greater weight to the volume of installations of PPMs achieved by an Arvato warrant officer and instead sought to recognise the time spent by the Arvato warrant officer in the home responding to the customer’s needs and delivering the appropriate customer outcome;
- 5.15.5 Quality Assurance (QA) checks conducted by Arvato were frequent, extensive and sought to measure employee performance against a range of metrics, including empathy, tone of voice and treatment of customer vulnerabilities. British Gas also undertook cross-checks;
- 5.15.6 The responsiveness to those customers who expressed an intent to self-harm was empathetic and extensive, buttressed by established referral pathways to external agencies able to help and support these customers;
- 5.15.7 Complaints handling processes to address concerns or dissatisfaction expressed by customers about PPM installations were thorough and robust;

- 5.15.8 Recruitment processes and background checks for potential Arvato employees were found to be appropriate for the activity being undertaken; when taken together with the training to be provided to new employees, with its focus on responding to customers with vulnerabilities (physical and mental) and customers in financial difficulties, as a general rule, it is reasonable to conclude that, overall, the Arvato employees were appropriately skilled and prepared to perform their role. This conclusion was reinforced by the fact the vast majority of the cases that were reviewed in this investigation revealed that Arvato employees responded appropriately to the circumstances of individual customers. In this respect, our enquiries of Arvato’s management and sampling of training records for Arvato employees revealed that: (a) employees were only able to undertake field activity, having first completed the induction training; and (b) that training would be supplemented by ongoing coaching and further online training modules.

- 5.16 However, as in any compliance review or investigation, we have identified opportunities or areas in these systems and controls for action and future improvement, as described in further detail below.
- 5.17 British Gas has a number of well-established existing governance fora in place to oversee the management of PPM installations under warrant by Arvato, which include regular interactions with the Arvato management team. These governance arrangements form part of a wider overarching framework, which has been in place since 2014, to oversee and manage risk and compliance within British Gas, which is buttressed further by an Accountable Persons framework, with individuals in senior management roles responsible for attaining specific legal and regulatory obligations. The governance arrangements relating to PPM installations are underpinned by data reports and other management information. However, having reviewed the information provided by Arvato and the topics discussed in governance fora, these governance arrangements would benefit from being structured in a way that provides management on a regular basis with the opportunity to review more granular information relating to QA, specific cases involving departures from policy and process and customer complaints. Such an approach would enable management, through a more holistic framework, to assess and mitigate risks and emerging trends in the installation of PPMs under warrant. Although there is a specific customer complaints forum where customer complaints are discussed in detail, we identified an opportunity to ensure that any complaints data specifically relating to PPMs installed under warrant is then incorporated into the governance forum charged with the oversight of PPM installations under warrant.
- 5.18 Generally, the records of customer interactions were of the necessary quality and standard to enable a review and assessment by the investigation team; in this context, the voice recordings (which were introduced at the request of British Gas) helped to provide important context and explanations for the approach adopted by an Arvato employee on the day of the installation (in turn providing assurance that British Gas operated in a manner consistent with its obligations). However, there were a number of cases where the level of detail captured by the Arvato employee on his or her interaction with a customer was insufficient or where the voice recording was not clear.



5.19 Review of employee performance by Arvato through the QA framework was found to be consistent; Arvato conducted 500 monthly checks on its employees against a number of different metrics such as tone, empathy, responsiveness to financial or physical vulnerability, which was further supplemented by up to 50 cross-checks on the 500 cases by British Gas and a subsequent calibration session involving both British Gas and Arvato. Whilst the scores clearly informed discussions between British Gas and Arvato as to whether Arvato was operating in line with the expectations of British Gas, the availability of additional detail explaining the reasoning for the QA scores (including instances of underperformance and instances of departures from the stipulated policy), would have enabled an even more in-depth review of Arvato's performance by British Gas.

5.20 Remuneration arrangements and incentives, as noted above, were clearly designed, at the request of British Gas, to ensure that Arvato employees sought to deliver the appropriate outcome for customers with the maximum level of variable pay found to be reasonable (based on experience of reviewing similar schemes) and driven by a range of factors which focused on the time spent by the warrant officer in the customer's home to deliver a solution that was appropriate for that customer in the circumstances. No one outcome was accorded more weight than the other, so the scheme did not incentivise agents to prioritise the installation of PPMs above other solutions. However, the reward scheme did not sufficiently take account of or provide for either: (a) cases where the installation of the PPM involved material departures from stated policy or procedure and may not have been appropriate in the circumstances; (b) the scope for discretionary clawback of reward where a particular warrant officer was found to have fallen persistently below the standards expected.

## Recommendations

5.21 Whilst we have found the handling of the cases that we reviewed and the underlying systems and controls to be largely appropriate and/or effective, there are aspects of the management of the process of installing PPMs under warrant, together with the underlying systems and controls that should be further enhanced or strengthened.

5.22 These proposed changes, which we consider should be addressed as part of the preparations of British Gas for the implementation of and adherence to the Code of Practice (itself a condition precedent set by Ofgem to resuming the installations of PPMs under warrant), are described further below.

5.23 In respect of the different groups of customers highlighted in paragraph 5.10 above, the following actions should be pursued:

5.23.1 In relation to the 2 customers where we consider that a PPM was not appropriate because of the personal circumstances of the customers, **British Gas should seek to re-engage these customers (where possible) to offer to reverse the installation (or remote switch where applicable)**, together with appropriate compensation. This category of case should also be taken into account and addressed as part of the preparations of British Gas to comply with the Code of Practice;

5.23.2 In relation to the 13 cases where the reasoning provided by the Arvato warrant officer for the installation of the PPM was unclear, **British Gas should seek to investigate these cases further, including through customer contact if possible**, to determine whether new facts emerge that would point to a change in payment type for the customer (including where appropriate, compensation);

5.23.3 In relation to the 13 cases where the data available has been insufficiently clear, **British Gas should seek to investigate these cases further**, including through attempting to contact customers, to establish whether any specific action or change is required in relation to the customers' payment type, including where appropriate, compensation.

5.23.4 In respect of the 14 cases where the customer was not present in the home at the time of the installation or remote switch which I have concluded were compatible with the relevant licence conditions on the facts, **British Gas should still, consistent with the approach proposed in the Code of Practice, seek to validate, including through customer contact if possible**, its understanding of vulnerabilities in the home to determine whether any change to the customer's payment type is appropriate (together with any other appropriate action).

5.23.5 As noted at paragraph 5.14, **British Gas should refund to 3 customers, who were in debt, the costs of applying for and executing a warrant that were erroneously applied**. Whilst these installations were compatible with the 'safe and reasonably practicable' obligation, a warrant was not required and refunds (subject to the relevant interest rate and any guidance from The Energy Ombudsman) should be provided.

5.24 In terms of version of control for policies and processes, the **arrangements for disseminating the latest version of an update to a particular policy document** in relation to PPM installations should be changed to ensure that there is consistency in the documents being used by all British Gas employees involved in this activity. Although any differences between versions of these documents used by operational teams were de minimis, as a matter of good practice, this should be addressed.

5.25 Whilst the majority of the **records of visits and installations of PPMs** reviewed in this investigation have been of sufficient quality to enable a determination to be made, in future, all warrant officers should be required to complete a mandatory, prescribed template which captures vulnerability information thereby ensuring that insights on customers are documented on a consistent basis. In this context, given that we observed some technological limitations with voice recordings in reviewing cases, British Gas should, subject to completion of a Privacy Impact Assessment under the Data Protection Act 2018, seek to introduce the use of body cameras by employees when operating in the homes of customers. That recommendation is consistent with the approach proposed by the new Code of Practice. Separately, wherever possible, British Gas engineers involved in visits to the home should also be provided with the information that is available to the warrant officer; this would provide a useful real time cross-check to the course of action.

5.26 In relation to **future governance and oversight arrangements**, changes should be implemented to enable a more integrated approach to the review of performance and customer experience in relation to the installation of PPMs by senior management. In particular, existing governance fora and frameworks both at the operational and senior management level should seek to bring together and scrutinise on a regular basis QA data, complaints (including complaints root cause analysis) and operational performance.

5.27 **Quality assurance checks** should continue in the way currently undertaken, although management for British Gas should consider, taking the advice of the second line compliance assurance team, whether the volume of cross-check activity should increase, recognising the sensitivity and complexity of the decisions being taken and the requirements of the new Code of Practice. This role and activity could be fulfilled by the existing second line compliance assurance team supporting British Gas or the new independent team to validate compliance with the licence conditions that is stipulated by the new Code of Practice.

5.28 In terms of **remuneration and incentives** for those employees involved in the installation of PPMs under warrant, specifically warrant officers, to the extent that variable compensation forms a part of the remuneration arrangements for these employees prospectively, we recommend that, subject to compatibility with existing industrial relations legislation and collective bargaining arrangements, a discretionary 'clawback' mechanism should be adopted to ensure that there is an appropriate means of addressing of conduct or customer outcomes attributable to an individual employee that fall below the desired standard. In this context and for the purposes of my recommendations, I note and endorse the provisions of the Code of Practice which stipulates that incentives should not be linked to the volumes of PPM installations.<sup>47</sup>

5.29 The current approach to the **provision of wide-ranging and extensive training** to warrant officers should be maintained as British Gas performs this activity on an in-house basis. However, we would recommend that management review the records documenting the completion of training modules by employees at regular intervals during the course of the year.

5.30 In relation to cases where a warrant was not necessary (because a customer in debt had also requested a PPM), the quality of the existing controls in this area should be tested, with reference to further sampling, and, where necessary, improved.

5.31 **All of the above changes to processes and practices should be progressed and completed prior to the resumption of the installation of PPMs under warrant**, with evidence of such completion to be provided to and tested by the British Gas second line compliance assurance team, with the results to be shared with the plc Board and then Ofgem at the appropriate time.

5.32 A wide range of (potentially inconsistent) external stakeholder views have been expressed in recent weeks and months as to whether the installations of PPMs under warrant should be permitted at all or over the criteria that should be adopted to determine when a PPM should be installed under warrant. To enable energy suppliers to meet the requirements of the new Code of Practice in the short term and to have the necessary legal and regulatory certainty over the longer term to invest, plan and allocate resources, it is critical that this policy debate is addressed and resolved swiftly through the following actions:

5.32.1 In recognition of the fact that the Code of Practice requires energy suppliers to assume a de facto role in the welfare system, **the urgent adoption of the necessary legislative measures by HM Government to enable data sharing with energy suppliers in relation to customers who are either physically or financially vulnerable on an industry-wide basis**, drawn from sources such as the Department of Work and Pensions and HM Revenue and Customs. Where possible, this legislation should also enable the sharing of data between different sectors, the third sector and including financial services, given that energy suppliers in future will need to have a much deeper understanding of the financial position of customers. Absent these measures, suppliers will continue to encounter difficulties in determining the appropriate course of action in situations such as those described in the case studies in this chapter;

5.32.2 HM Government and Ofgem should, without further delay, **articulate and consult upon a range of different policy options (including a social tariff) under consideration to enable physically or financially vulnerable customers to be supported in relation to payment for the energy that they consume, together with a fully quantified impact assessment setting out the costs and benefits of each option for energy suppliers and all other energy customers**. That consultation should also propose the approach to funding this support, given that energy suppliers will not be in a position to absorb the significant additional cost inherent in reducing energy bills for specific groups of customers.

5.33 In relation to those recommendations at paragraphs 5.31.1 and 5.31.2 of my report relating to improvements to policy that require legislative or other interventions, whether such measures are adopted is obviously a matter outside of the control of British Gas and Centrica, but I would simply highlight to stakeholders the urgent need for these matters to be addressed to ensure that: (a) in the short term, the Code of Practice can be implemented, in the way envisaged by Ofgem; (b) in the medium to longer term that a solution is found to provide for the costs of supporting physically or financially vulnerable customers that is equitable to other energy customers and the taxpayer (upon whom the burden will fall), whilst preserving the financeability of the activities of energy suppliers that has been expressly required by Parliament.<sup>48</sup>

47. Ofgem, Involuntary PPM – Supplier Code of Practice, paragraph 2.28

48. Domestic Gas and Electricity (Tariff Cap) Act 2018, s.1(6)

# Appendix 1: Key relevant primary legislation

## 1. The Gas Act 1976 (the “Gas Act”), including Schedule 2B (the “Gas Code”)

1.1 Paragraph 6A of the Gas Code states as follows:

“6A. A prepayment meter installed by an authorised supplier through which a consumer takes his supply of gas shall not be used to recover a sum unless:

- (a) the sum is owed to an authorised supplier:
  - (i) in respect of the supply of gas to the premises on which the meter is installed,
- [or]
- (ii) in respect of the provision of the meter...”

1.2 Paragraph 7 of the Gas Code states as follows:

“(1) Sub-paragraphs (3)...below apply where:

- (a) a demand in writing is made by a gas supplier for any of the relevant payments [i.e. for the supply of gas to the consumer’s premises] to be made by a consumer; and
- (b) the consumer does not make those payments within 28 days after making the demand...

(2) Sub-paragraph (3) below also applies where:

- (a) a request in writing is made by a gas supplier for the provision of a deposit by way of reasonable security for the payment of the charges due to him from a consumer in respect of the supply of gas to the consumer’s premises; and
- (b) the consumer does not provide such a deposit, or agree to take his supply through a prepayment meter, within 7 days after the making of the request.

(3) If the supplier is a relevant supplier, he may, after giving not less than 7 days’ notice of his intention:

- (a) install a prepayment meter on the premises in place of the existing meter; or
- (b) cut off the supply to the premises by disconnecting the service pipe at the meter or by such other means as he thinks fit;

and the supplier may recover any expenses incurred in so doing from the consumer.

(5) The powers conferred by sub-paragraphs (3)...above shall not be exercisable as respect any payments or deposit the amount of which is genuinely in dispute.”

1.3 Paragraph 23(2) of the Gas Code states as follows:

“23(2). Any officer authorised by a relevant gas supplier or relevant gas shipper may at all reasonable times, on the production of some duly authenticated document showing his authority, enter a consumer’s premises for the purpose of [...] (c) exercising a power conferred by [...] or 7(3)(a).”

1.4 Paragraph 28 of the Gas Code states as follows:

“28(5) The Rights of Entry (Gas and Electricity Boards) Act 1954 (entry under a justice’s warrant) shall apply in relation to any powers of entry conferred by this Schedule.”

## 2. The Electricity Act 1989 (the “Electricity Act”), including Schedule 6 (the “Electricity Code”)

2.1 Paragraph 2 of the Electricity Code states as follows:

“2(1) Where a customer has not, within the requisite period, made all the relevant payments, the supplier may –

- (a) install a prepayment meter on the premises; or
  - (b) disconnect the premises,
- and the supplier may recover any expenses incurred in so doing from the customer...”

2(2) The power of the supplier...may not be exercised –

- (a) as respects any amount which is genuinely in dispute...; and
- (b) unless not less than seven working days’ notice has been given to the occupier of the premises (or the owner of the premises if they are unoccupied) of his intention to exercise it.

2(3) In this paragraph the “requisite period” means the period of 28 days after the making by the supplier of a demand in writing for the relevant payments to be made.”

2.2 Paragraph 7 of the Electricity Code states as follows:

“(4) Where an electricity supplier is authorised by paragraph 2(1) to install a prepayment meter on any premises, any officer or other person authorised by the supplier may at all reasonable times enter the premises for the purpose of installing such a meter.”

2.3 Paragraph 10 of the Electricity Code states as follows:

“(1) The Rights of Entry (Gas and Electricity Boards) Act 1954 (entry under a justice’s warrant) shall apply in relation to the powers of entry conferred by this Schedule...”

(5) A person may only exercise a power of entry conferred by this Schedule on production of some duly authenticated document showing his authority.”

## 3. The Rights of Entry Act (Gas and Electricity Boards) Act 1954

3.1 Section 2 of the Rights of Entry (Gas and Electricity Boards) Act 1954 sets out what a gas or electricity supplier must show in order to be granted a warrant to enter a premises, if need be by force:

“(1) Where it is shown to the satisfaction of a justice of the peace, on sworn information in writing:

- (a) that admission to premises specified in the information is reasonably required by a gas operator or an electricity operator or by an employee of a gas or an electricity operator;
- (b) that the operator or any employee of the operator, as the case may be, would... be entitled [i.e. under the Gas Act or the Electricity Code] for that purpose to exercise in respect of the premises a right of entry to which this Act applies; and
- (c) that the requirements (if any) of the relevant enactment [i.e. the Gas Act or the Electricity Code] have been complied with,

then subject to the provisions of this section the justice may by warrant under his hand authorise the operator or any employee of the operator, as the case may be, to enter the premises, if need be by force.”

3.2 Section 2 contains further details relating to warrants, including:

“2(4) Every warrant granted under this section shall continue in force until –

- (a) the time when the purpose for which the entry is required is satisfied; or
- (b) the end of the period of 28 days beginning with the day on which the warrant was granted, whichever is the earlier...

2(6) Where a warrant is granted under this section in respect of a right of entry, then for the purposes of any enactment whereby—

- (a) an obligation is imposed to make good damage, or to pay compensation, or to take any other step, in consequence of the exercise of the right of entry, or
- (b) a penalty is imposed for obstructing the exercise of that right,

any entry effected, or sought to be effected, under the authority of the warrant shall be treated as an entry effected, or sought to be effected, in the exercise of that right of entry.”



# Appendix 2: Standard licence conditions (SLCs) summary

## 1. Condition 0 – Standard of Conduct

- 1.1 Condition 0 (Treating Domestic Customers Fairly): Condition 0.1 establishes the “Customer Objective” of ensuring that “each Domestic Customer, including each Domestic Customer in a Vulnerable Situation, is treated Fairly”:
- (A) For the purposes of the SLCs, “Vulnerable Situation” means that the personal circumstances and characteristics of an individual customer or customers create a situation where they are significantly less able than a typical customer to protect or represent their interests; and/or they are significantly more likely than a typical customer to suffer detriment and/or that detriment is likely to be more substantial than a typical customer (Condition 0.9).
- (B) The Supplier<sup>49</sup> would not be regarded as treating a customer “Fairly” if their “actions or omissions give rise to a likelihood of detriment to the customer, unless that detriment would be reasonable in all the relevant circumstances” (Condition 0.9).
- (C) For the purposes of the SLCs, “Domestic Customer” means a customer supplied or requiring to be supplied with gas/electricity in a domestic premises and excluding such a customer insofar as they are supplied or require to be supplied with gas/electricity at premises other than domestic premises (Condition 1.3).
- (D) For the purposes of the SLCs, a “Representative” of a Supplier means “any person directly or indirectly authorised to represent the [Supplier] in its dealings with customers” (Condition 1.3).
- 1.2 The Supplier must, and must ensure that its Representatives, achieve the Standards of Conduct in a manner consistent with the Customer Objective. The Standards of Conduct (in Condition 0.3 of the SLCs) require Suppliers (and any Representatives) to, among other things:
- (A) behave in a fair, honest, transparent, appropriate and professional manner (Condition 0.3(a));
- (B) provide information to each domestic customer which is complete, accurate and not misleading, and to present and communicate that information in a plain and intelligible way to enable the customer to make informed choices (Condition 0.3(b));
- (C) provide customer service arrangements that make it easy for a domestic customer to contact the Supplier and otherwise ensure such processes are complete, thorough, fit for purpose and transparent, whilst ensuring the Supplier acts promptly and courteously to put things right when mistakes are made (Condition 0.3(c)); and
- (D) seek to identify each domestic customer in a vulnerable situation in a manner which is effective and appropriate, having to regard to the interests of the domestic customer, and to take any such vulnerable situation into account when applying the Standards of Conduct.

## 2. Conditions relating to arrangements for site access

- 2.1 Condition 13.1 requires a Supplier to take all reasonable steps to ensure that each Representative who visits a customer’s premises on behalf of the Supplier (including, for the avoidance of doubt, outsourced service providers) possesses the skills necessary to perform the required function and is a fit and proper person to visit and enter the customer’s premises.

## 3. Conditions relating to the Priority Services Register (“PSR”)

- 3.1 Condition 26.1 obliges the Supplier to establish and maintain a PSR of customers who, due to their “Personal Characteristics” or otherwise being in a vulnerable situation, may require priority services from the Supplier.
- 3.2 “Personal Characteristics” in Condition 26.1 means being a pensioner, being chronically sick or having an impairment, disability or long-term medical condition (including but not limited to a visual, auditory or mobility impairment), and any other characteristics identified by the Supplier as being relevant due to the nature of the “Priority Services” (Condition 26.7). The ability to understand whether the definition of “Personal Characteristics” and vulnerability are satisfied is necessarily reliant (at least in part) on information being shared by the customer.
- 3.3 “Priority Services”, as defined in the SLCs, are “appropriate mechanisms and arrangements” that are put in place by a Supplier in order to provide assistance to a particular customer where they have particular needs, including (for the purposes of PPMs) measures which ensure that the functionality of any PPM is safe and reasonably practicable in all the circumstances of the particular case (Condition 26.5).
- 3.4 Ofgem has also published on its website a more broadly defined, non-exhaustive list of customers who it may be necessary to be kept on the PSR, which includes those who are pregnant or have young children, those who have extra communication needs and those who need to use medical equipment that requires a power supply.<sup>50</sup> The list does not include any financial factors, such as a customer’s ability to pay.

## 4. Conditions relating to ability to pay

- 4.1 Condition 27.5-6 requires the Supplier to offer customers who are having difficulty paying for the supply of gas/electricity various services, including payment by instalments, by deduction of payment at source of their benefits or payment by using a PPM “where it is Safe and Reasonably Practicable in all the Circumstances of the Case” (as to which see paragraph 7 below).
- 4.2 Condition 27.8 requires the Supplier to take all reasonable steps to ascertain the customer’s ability to pay for their gas/electricity supply (including any unpaid charges) and take this into account when calculating instalments. Where instalments will be paid using a PPM, consideration must be given to the value of the charges that are to be recovered through the PPM.

49. The SLCs refer to “Licensees” but, for reasons of consistency, this Report refers to Suppliers

50. <https://www.ofgem.gov.uk/information-customers/energy-advice-households/getting-extra-help-priority-services-register>

- 4.3 Condition 27.8A requires that when ascertaining the ability to pay (Condition 27.8), the Supplier must give due consideration to various non-exhaustive factors, including: working on a case-by-case basis; linking staff incentives to successful customer outcomes not the value of repayment rates; making proactive contact with customers; understanding individual customers’ ability to pay; and monitoring the situation.
- 4.4 Condition 27.9 requires that the Supplier must not disconnect a customer for unpaid charges unless it has taken all reasonable steps to recover the unpaid charges through provision of a PPM.

## 5. Conditions relating to disconnection<sup>51</sup>

- 5.1 Condition 27.10 requires that the Supplier must not disconnect a customer for unpaid charges, in the Winter Moratorium<sup>52</sup>, if it knows or has reason to believe the customer is a pensioner and lives alone or lives only with people who are pensioners or under the age of 18.
- 5.2 Condition 27.11 requires the Supplier to take all reasonable steps to avoid disconnecting for unpaid charges, in the Winter Moratorium, if the occupants include pensioners, or disabled or chronically sick people. Condition 27.11A obliges the Supplier to take all reasonable steps to ascertain whether this specific restriction applies to any given case.

## 6. Conditions relating to PPMs

- 6.1 Condition 28.1 requires the Supplier to provide appropriate information prior to or upon installation of a PPM, including the advantages and disadvantages of the PPM and where the customer may obtain information or assistance.
- 6.2 Condition 28.1A requires that, where a customer uses a PPM and the Supplier becomes aware or has reason to believe that it is no longer safe and reasonably practicable in all the circumstances to do so, the Supplier must offer to alter or replace the PPM, or to make such other arrangements as are necessary to ensure that it would be safe and reasonably practicable in all the circumstances of the case for the customer to continue to use the PPM. In practical terms, it follows that a PPM should not be installed where it is apparent before installation that it would not be “safe and reasonably practicable in all the circumstances of the case” to do so.

## 7. “Safe and reasonably practicable”

- 7.1 Condition 28.1B requires the Supplier to have regard to guidance on the interpretation of “safe and reasonably practicable in all the circumstances of the case”, which, following consultation, the Authority may issue and may from time-to-time revise. Key relevant guidance is referred to in paragraph 1.1(A) of Appendix 3.

## 8. Conditions relating to warrants, PPMs and other supplier actions to recover debts

- 8.1 Condition 28B.1 prohibits the Supplier from exercising a warrant if it would be “severely traumatic” to the 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.
- 8.2 Condition 28B.2 prohibits the Supplier from charging a customer for costs associated with a warrant where that customer has a vulnerability which has significantly impaired their ability to engage with the Supplier or their Representatives, or where they have a severe financial vulnerability which would be made worse by charging them costs associated with the warrant. In any event, costs are capped at £150<sup>53</sup> by Condition 28B.3.

51. Within the meaning of the SLCs, “disconnection” is not the same as “self-disconnection” following the installation of a PPM (see Condition 1.3, which defines “disconnect” and cf. “self-disconnection” under Condition 27A). Centrica’s understanding is that the Authority does not seek to apply Conditions 27.10, 27.11 and 27.11(A), which relate to “disconnection” to the installation of PPMs. Nevertheless, these Conditions have been included here for completeness in light of the fact that Condition 27.11(A) (which cross-refers to Conditions 27.10 and 27.11) was cited in the Authority’s Provisional Order dated 2 February 2023

52. Meaning October to March, inclusive

53. The cap was set at £150 by a decision of the Authority published on 17 December 2020

## Appendix 3: Summary of Ofgem guidance

### 1. Summary of relevant Ofgem guidance

- 1.1 Ofgem issues guidance in relation to the SLCs to assist Suppliers in complying with them and on the basis of information that it receives on how Suppliers operate in practice. The following specific guidance is relevant in the current context:
- (A) Decision dated 31 March 2016 in which the Authority decided to modify the Safe and Reasonably Practicable Guidance, pursuant to Condition 28.1B, confirming that Suppliers should access each individual case on its merits and should provide protections, in particular for vulnerable customers.<sup>54</sup> This guidance provides a non-exhaustive list of relevant factors which the Authority considers are relevant when considering what is “safe and reasonably practicable”, including: (i) whether the customer “is able to understand and operate” the PPM; (ii) whether the customer “lives quite a distance from any top-up outlets”, which itself “is likely to vary depending on the customer’s circumstances”; (iii) whether the customer “requires a continuous supply for health reasons, such as dependency on medical equipment requiring an electricity supply”; (iv) whether the PPM “is situated in a position...that means the customer could not operate the PPM”; (v) whether the PPM would have to be “situated outside or in a room which the household does not have continuous access to”; and (vi) “any advice/guidance received from the Health and Safety Executive”.
- (B) Guidance updated in February 2019 in relation to the Standards of Conduct within Condition 0.<sup>55</sup> This guidance notes, among other things, that when assessing whether the “fairness” test has been met, the Authority will consider whether the acts or omissions “give rise to a likelihood of detriment to the consumer and does it appear this detriment would not be reasonable in all the relevant circumstances.” The Authority recognises in this guidance that “suppliers need to carry out legitimate commercial activities (such as charging for services)”, and that their ability to exercise their rights under statute are preserved “as long as [the Supplier does] so lawfully and proportionately.”

54 [https://www.ofgem.gov.uk/sites/default/files/docs/2016/03/open\\_letter\\_-\\_authoritys\\_decision\\_to\\_modify\\_the\\_safe\\_and\\_reasonably\\_practicable\\_guidance\\_-\\_final.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2016/03/open_letter_-_authoritys_decision_to_modify_the_safe_and_reasonably_practicable_guidance_-_final.pdf)

55 [https://www.ofgem.gov.uk/sites/default/files/docs/2019/02/licence\\_guide\\_standards\\_of\\_conduct\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2019/02/licence_guide_standards_of_conduct_0.pdf). This document was preceded by an earlier version of the guidance dated 10 October 2017, which established the position arising from the decision dated 14 August 2017 (file:///C:/Users/LJVE/Downloads/final\_decision\_-\_standards\_of\_conduct\_for\_suppliers\_in\_the\_retail\_energy\_market%20(1).pdf) and introduced changes to the Standards of Conduct themselves in Condition 0 (rather than being supplemental)

## Appendix 4: Voluntary codes of conduct

### 1. Summary of the key provisions of the Energy UK Vulnerability Commitment

- 1.1 British Gas is a signatory to the Energy UK Vulnerability Commitment (the “Vulnerability Commitment”). As a signatory, British Gas has agreed to continuously seek to improve the support provided to vulnerable households and to adopt a collaborative, proactive and transparent approach to improve both the quality of support provided by energy suppliers but also customer awareness that this support exists.
- 1.2 Among other things, under the Vulnerability Commitment, British Gas has committed to:
- (A) Equip front line staff and all those in relevant roles with effective training in identifying and supporting customers who might be in vulnerable circumstances;
- (B) Ensure that customer vulnerability is embedded throughout all relevant levels of the company and ensure any external agencies operating on the company’s behalf have robust vulnerability policies;
- (C) Only use High Court Enforcement Officers to recover debts where appropriate for a vulnerable customer, taking consideration of any wider vulnerabilities that may be exacerbated by Court enforcement action;
- (D) Never knowingly disconnect a vulnerable customer at any time of year, where the household has children under the age of six (or under the age of 16 during the Winter Moratorium) or where for reasons of age, health, disability, or severe financial insecurity, that customer is unable to safeguard their personal welfare or the personal welfare of other members of the household; and
- (E) Ensure that the customer is able to continue to access their energy supply immediately after a PPM installation or change of mode on a smart meter to prepayment, for example through provision of the tools required (e.g., a gas card) to apply credit to the meter or through preloaded credit being applied to the meter.



# Appendix 5: Summary of British Gas and Arvato Policies and Procedures

## 1. Summary of key provisions of British Gas Policies and Procedures

1.1 The 'British Gas Policy and Standards on Ability to Pay Relating to Customers in Payment Difficulty' includes the following provisions relating to the installation of PPMs under warrant:

- (A) British Gas and its customer representatives must deal with each individual customer on a case-by-case basis in understanding the circumstances of the customer's payment difficulties, and in reaching agreement as to how the customer will pay for their future energy consumption and any outstanding balance (section 6.2.2).
- (B) British Gas must ensure that there are adequate processes and systems in place to enable customer representatives to contact customers at the earliest opportunity in order to identify whether a customer is in payment difficulty. This means proactively contacting customers using, as appropriate, a variety of contact methods (section 6.3.2).
- (C) British Gas must ensure that customer representatives are provided with clear guidance and training on how to recognise signs of potential payment difficulty and vulnerability, and to understand how to elicit information from customers on their ability to pay (section 6.4.1).

1.2 The 'British Gas Policy and Standards on Field Activities Relating to British Gas Energy Customers in Payment Difficulty' includes the following provisions relating to the installation of PPMs under warrant:

- (A) British Gas must adhere to the following principles when planning and executing a warrant (section 5.1) and to ensure that representatives who visit customer premises are competent and fully equipped to perform the required functions (section 6.2):
  - (i) Review the customer's account prior to planning and/or executing any warrant.
  - (ii) Conduct a "pre-disconnection visit" to attempt to reach a successful repayment agreement or agreement to install a PPM (where applicable) with the customer before applying for a warrant.
  - (iii) Provide clear guidance and training on how to recognise signs of potential payment difficulty and vulnerability<sup>56</sup>, and how to elicit information from customers on their ability to pay.
  - (iv) Apply for a warrant only where the balance owed has been outstanding for over 28 days and for which payment has been formally requested in writing.
  - (v) Use the warrant within 28 days from the day it was granted.
- (B) Field representatives must never enter a customer's premises without either: (i) consent; or (ii) a warrant, except in an emergency (section 6.2.3).

(C) British Gas must not progress the account of the customer to the warrant planning stage in the following circumstances until the matter is resolved (section 6.3.3):

- (i) Where there is a genuine change of tenancy in progress.
- (ii) Where a customer's address, bill or meter details are incorrect.
- (iii) Where there is a genuine dispute<sup>57</sup> or complaint on the customer's account that relates directly to the outstanding debt.

(D) British Gas must not progress the account of the customer to the warrant planning stage in the following circumstances (section 6.3.4):

- (i) Where there is evidence to suggest that the customer may be extremely vulnerable.<sup>58</sup>
- (ii) Where there is reason to believe that the customer's mental capacity or psychological state would be adversely affected in any significant way by fitting a PPM under warrant.
- (iii) Where the customer has a guaranteed right of supply due to a medical condition.

(E) Where the circumstances set out in sections 6.3.3 or 6.3.4 are identified, the "customer representative must escalate the case to the Head of Customer Payments & Debt Operations to devise the best course of action for treating the customer's account" (section 6.3.5).

(F) Where the customer has not responded to attempts to contact them following the review of their account, or agreed to settle the sum owed, British Gas must undertake a preliminary visit to attempt to establish contact with the customer to resolve their outstanding debt (where possible) to secure agreement to fit a PPM (where applicable) or to obtain any relevant information about the customer's circumstances, before applying for a warrant (section 6.4.1).

(G) British Gas must write to the customer in advance to notify them of its intention to visit their premises. The letter should request that the customer contacts British Gas to discuss the sum owed and outline the next steps if British Gas fails to hear from them and/or to agree the resolution of their debt (section 6.4.2).

56. As per section 6.2.2 of the policy, British Gas defines "vulnerable" as "if for reasons of age, health, disability or financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household"

57. As per section 6.2.2 of the policy, British Gas defines a 'genuine' dispute or complaint as one that it is initially satisfied appears to have some validity and which may result in a material change either to: (A) the amount of payment being demanded; or (B) the customer from whom the payment is being demanded. British Gas does not consider a dispute or complaint to be 'genuine' where the customer is objecting to paying against an estimated bill, or where a customer is refusing to pay part of a debt which is not being disputed due to a dispute on another part of the debt

58. British Gas applies weighting to its risk categorisation which results in different processes and procedures being followed according to the relevant vulnerability. For example, (A) a customer aged 85 or over is classified as a "societal account" for the purposes of vulnerability which means no warrant can be planned; and (B) a mental health issue is classified as "medium risk" and issues such as "cancer" or "confined to bed" are classified as high risk

(H) If British Gas field representatives are unable to contact the customer or agree a suitable payment arrangement to resolve their outstanding debt, or secure agreement to fit a PPM (where applicable) or obtain any new information about the customer's circumstances which may preclude the application of or, execution of a warrant, British Gas must update the customer's account to this effect, which will then see it progressed to the warrant application stage (section 6.4.3).

(I) When British Gas "undertake[s] a pre-warrant visit, they must make every effort to identify whether there is any household vulnerability". If, during the visit or at the time of the disconnection or fitting of a PPM, any new information comes to light to suggest that a PPM would not be safe or reasonably practicable for the customer, or a member of their household to operate, or where for reason of household vulnerability, guaranteed supply or some other reason, it is not appropriate or possible to fit a PPM, British Gas (or its representatives) must not proceed with the installation of a PPM (section 6.4.4).

(J) The circumstances described in section 6.4.4 include instances where there is evidence to suggest that the fitting of a PPM under warrant would be severely traumatic for the customer due to their mental capacity or psychological state, which could be made significantly worse by continuing with the warrant process (section 6.4.5).

(K) In such cases, where vulnerability precludes the fitting of a PPM, British Gas must inform relevant teams and ensure that the customer's account records are updated and, where relevant, ensure that appropriate vulnerability flags placed on that account. The account must also be sent to the specialist Debt Customer Care representatives who deal with vulnerable customers and who will devise the best possible course of action to resolve the outstanding debt (section 6.4.6).

(L) British Gas should only apply for a warrant where the balance owed has been outstanding for over 28 days and for which formal request for payment has been made in writing and not received (section 6.5):

- (i) British Gas must complete a check on the customer's account to confirm that a formal demand for payment in writing has been issued to the customer for the outstanding balance on their account which is over 28 days old (section 6.5.1).
- (ii) British Gas must also check that the customer's account records are up-to-date and that the details of the customer's billing address are correct (section 6.5.2).
- (iii) British Gas must write to the customer giving them a minimum of seven days' notice of its intention to apply for a warrant to enter their premises either to disconnect the energy supply or to fit a PPM. The letter must inform the customer that they have the right to attend the application and that they should notify British Gas should they wish to attend. If the customer does notify British Gas that they wish to attend, a local hearing will then be planned and British Gas will supply the customer with the full details of the planned court hearing, including the date, time and location of the hearing (section 6.5.3).

(iv) British Gas must ensure that it only applies for a warrant to fit a PPM where:

- (a) It is safe and reasonably practicable in all the circumstances of the case for the customer or a member of their household to fit the PPM;
- (b) There is no evidence to suggest that the customer's mental capacity or psychological state would be adversely affected in any significant way by fitting the PPM under warrant;
- (c) All available options to resolve the debt have been exhausted, including, but not limited to, offering to install a PPM for free where it is safe and reasonably practicable for the customer, or a member of their household, to operate one; and
- (d) There is no requirement for a guaranteed supply (section 6.5.5).

(M) British Gas must use any warrant obtained within 28 days from the day it was granted (section 6.6):

- (i) If necessary, the warrant can be used multiple times (for the same reason) within the 28-day execution period. On the day when the warrant is due to be executed, representatives of British Gas must undertake a final check of the customer's account to ensure that there is no valid reason preventing British Gas from executing the warrant. Likewise, British Gas field representatives must check the situation at the customer's premises (section 6.6.1).
- (ii) Once a warrant to fit a PPM has been executed, British Gas field representatives must set the PPM's weekly recovery rate to an affordable amount, taking account of the customer's circumstances and their ability to pay. British Gas field representatives must seek to agree the rate with the customer upon installation of the PPM if the customer is present (section 6.6.2).
- (iii) Where the customer is not present, British Gas field representatives must make use of all available information about the household's circumstances to inform the setting of a default rate, which can be changed, if necessary, following contact by the customer to better reflect their ability to pay (section 6.6.3).

## 2. Centrica – Summary of key provisions of the Debt Customer Care Team Referrals Handbook (the “Handbook”)

- 2.1 The Handbook confirms that if a customer visit is returned as “vulnerable unable to vend”, “all debt action will stop and a hold will be placed on the customer account”. Debt action will only recommence on the removal of the hold (the Handbook, page 2).
- 2.2 The Handbook provides further non-exhaustive guidance on vulnerable scenarios and also confirms internal contact information for referrals and assistance in relation to vulnerability queries (the Handbook, pages 3 and 4). Vulnerable scenarios include (by way of example):
- (A) “*Serious and immediate financial detriment, such as losing their home*”;
  - (B) “*Ongoing threat of harm to themselves or others*”;
  - (C) “*The customer’s financial situation is severely affecting their mental health e.g. anxiety that is debilitating*”;
  - (D) “*An ongoing health issue is certain to impact their ongoing ability to manage their bills and no carer or family for support*”;
  - (E) “*The customer has disclosed there is domestic violence in the property*”;
  - (F) “*The customer may be unable to manage their personal welfare or that of other household members due to their medical or personal circumstances, cognitive abilities or mental health (either permanent or temporary)*”;
  - (G) “*The customer or an immediate relative is terminally ill at end of life care*”;
  - (H) “*The customer needs to be supported over a period of time to get them on the right track due to a complex, chaotic or medically sensitive life situation that makes them vulnerable to harm*”; and
  - (I) “*The customer shows signs of being extremely distressed and unable to talk about the issue of their arrears*”.

## 3. Summary of key provisions of Arvato Policies and Procedures

- 3.1 British Gas has been furnished with the Arvato Field Guide (Visit Manual) (the “Manual”), which sets out the steps that Arvato’s agents should take when they visit customers, including to treat customers fairly (in line with FCA Regulations and Condition 0 of the SLCs) and to assess vulnerability as follows:
- (A) As a business authorised and regulated by the FCA, Arvato is required to ensure compliance with the six customer outcomes to ensure the fair treatment of customers (the Manual, page 10).
  - (B) Arvato must assess each customer in their individual circumstances to identify if they should be considered vulnerable. This includes conducting a visual assessment to identify any signs of vulnerability (e.g., ramps, hand rails, children’s toys). If any signs of vulnerability are identified, the consent of the customer must be sought before recording this (the Manual, page 11).
  - (C) Arvato has an obligation to take into account the customer’s ability to pay, whether or not they are vulnerable (the Manual, page 14). The signs that people may be in financial difficulties include high debts and credit use, inability or difficulty to pay, bankruptcy, reduced income due to retirement, redundancy, maternity, job loss or sickness absence, moving to universal credit, benefits have stopped, low household income from wages and benefits.

- (D) Upon visiting a customer’s premises, the Arvato field operative should conduct a conversation with the customer (if they are present) about the debt, ensuring vulnerability and ability to pay assessments are undertaken and understood. Based on the conversations had, the best outcome to meet the needs of both the customer and the client should be proposed (the Manual, page 19).
- (E) When executing a warrant, if there are any signs of vulnerability that have not been recorded previously that are identified during the visit, then the Arvato field operative must assess on a case-by-case basis whether the warrant can continue or not, and they may conclude that executing the warrant to fit the PPM is inappropriate. The Arvato field operative should only fit a PPM if it is safe and practicable for the customer and “*will not leave them in a vulnerable situation*”. Even if the customer is present and requests a PPM, the Arvato field operative should only proceed if it would be appropriate (the Manual, page 29).
- (F) If there is any doubt that it is “*not safe or reasonably practicable for the customer to maintain the prepayment meter*” then Arvato guidance states that the Arvato field operative should “*contact the client helpline to discuss the vulnerability and agree the appropriate course of action*” (the Manual, page 29).

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