



# Left Out in the Cold: Why Prepayment Meter Users need a Better Deal



Produced by Stratford-upon-Avon and District Citizens Advice Bureau in partnership with the Legal Advice Warwickshire Social Policy Group and Consumer Empowerment Partnership April 2013



## Foreword



Fuel costs and fuel poverty are issues that have been very much in the headlines in recent months. We hear about energy suppliers being required to make it easier for people to get the best tariffs, so that households can avoid fuel poverty.

And yet there is a problem for over 7 million energy users in the UK that rarely gets mentioned. Prepayment Meters – superficially a useful budgeting tool for households to avoid large unmanageable fuel bills, but at the same time a cause of many other problems.

At Stratford CAB we identified a recurring theme amongst our clients with prepayment meters – they were struggling to find enough cash to heat their homes, keep the lights on and do the cooking. We found that many people did not understand how their prepayment meter account worked. Our impression was that prepayment meters were costing people a disproportionate amount to keep their electricity and gas supplies going.

This led us to undertake our survey of prepayment meter users, the results of which are contained in this report. It is our view that many vulnerable households are finding things even harder because of their prepayment meter, and we have a number of recommendations for change to address this unfair situation.

Please read our report and email [marilyn.price@stratforduponavoncab.org.uk](mailto:marilyn.price@stratforduponavoncab.org.uk) with your comments or if you require further information

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*\*image thanks to Stratford Observer*

## Executive Summary

In harsh winter months the loss of power supplies to homes around Britain makes national news: yet the plight of Prepayment Meter (PPM) users who have to endure the loss of their supply on a regular basis in both summer and winter because they do not have the cash to buy credit for their meter, goes unnoticed. To add insult to injury, this practice is euphemistically known as “self-disconnection” implying an element of choice has been exercised by the householder.

As we go into the winter months of 2013, 4 of the big 6 energy suppliers have announced price increases of an average 8 -10% and others are likely to follow. Low income PPM users are hit doubly hard: on variable standard prepayment tariffs, not only are they unable to find the extra money needed when fuel costs are increased but they are also paying a higher price for their tariffs than those on Credit Meters paying by direct debit<sup>1</sup>. They are also unable to access the best energy deals and discounts on the market or lock into fixed price deals. This means they can neither cut the cost of their fuel bills nor protect themselves against price rises in the future. Powerless in every sense of the word.

We were concerned by the spiral into debt and fuel poverty that was increasingly becoming the hallmark of CAB clients with PPM's and the failure of energy suppliers to put them on a level playing field with those on Credit Meters. We conducted a survey in the winter months of 2012 -2013 to obtain evidence for our Campaign to Get a Better Deal for PPM users.

This report reveals the disproportionate impact that prepaying for gas and electricity through a Prepayment Meter (PPM) has on the financial well-being and health of many low income households throughout Warwickshire and beyond. This is consistent with the findings of the Annual Report on Fuel Poverty Statistics 2012<sup>2</sup> which has established that the highest fuel poverty rate by payment method is amongst households that pay for fuel using a PPM.

In June 2012 around 7.2 million people in the UK were paying for their gas and electricity through a PPM, a 4% increase in electricity PPM's and a 7% increase in gas PPM's compared to June 2011.<sup>3</sup> Given the hike in fuel costs by the majority of energy suppliers in the winter of 2012 and the inevitability of further price increases in 2013, the rise in the number of households with fuel arrears could well lead to a significant increase in the number of households paying for their fuel through a PPM in 2013/2014.

### Key findings of our research:

- Over half of the households surveyed inherited a PPM when they moved into their property. Only 23% had a PPM installed by their supplier because of fuel debt.
- The average weekly combined expenditure of PPM users on gas and electricity was £17 to £30 in warmer weather and £30 to £48 in colder weather
- Less than a third of our respondents were working, with half of these in receipt of Working Tax Credits. The remainder were dependent on benefits or pension.
- 53% of PPM households who were totally reliant on benefit income spent more than 10% of their income on gas and electricity in warmer times

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<sup>1</sup> Hills,J. (2012) Getting the measure of fuel poverty: Final Report of the Fuel Poverty Review , CASE report 72: London

<sup>2</sup> DECC (2012) Annual Report on Fuel Poverty Statistics , at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/66016/5270-annual-report-fuel-poverty-stats-2012.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/66016/5270-annual-report-fuel-poverty-stats-2012.pdf) , accessed 3.02.2013

<sup>3</sup> Ofgem (2012). Domestic suppliers' quarterly social obligations data - Quarters 1 and 2 at [http://www.infohub.moneyadvicetrust.org/content\\_files/files/domestic\\_suppliers\\_quarterly\\_debt\\_and\\_disconnections\\_q1\\_and\\_q2\\_2012.pdf](http://www.infohub.moneyadvicetrust.org/content_files/files/domestic_suppliers_quarterly_debt_and_disconnections_q1_and_q2_2012.pdf) accessed 2.03.2013

- 77% of PPM households who were totally reliant on benefit income spent more than 10% of their income on gas and electricity in colder times
- The majority of PPM users found the constant necessity to top-up their card or key exacerbated an already precarious financial situation: 62% said they were struggling to repay debts of an average £3,840 per household.
- 26% of PPM users ran out of credit and needed to use the Emergency Credit facility on their meter in warmer weather and 67% in colder weather
- Single parents were the most frequent users: on average they used Emergency Credit 3 times a week in warmer weather and 5 times a week in colder weather.
- Only 26% of our PPM users knew that Standing Charges were deducted from their payment when they topped up their card or key
- 41% of our respondents did not have access to the internet

## Recommendations

Empowering PPM users to take control of their expenditure and energy usage is an essential element of our recommendations for suppliers, the government and other bodies who support consumers. It is evident that paying for fuel through a PPM can be an effective method for paying off arrears and budgeting for fuel costs. This was recognized by half of those surveyed, despite their concerns relating to the increased cost of prepayment tariffs.

By widening the range of choice of tariffs, improving the understanding on how the meter works and eliminating many of the barriers that prevent PPM users from taking control of their expenditure, many vulnerable households could not only be lifted out of fuel poverty but also increase their ability to remain in credit and avoid 'self -disconnecting'.

### For Energy Suppliers

- Suppliers should offer their PPM customers a wider range of tariffs, including the option of moving on to a fixed price tariff. Currently most new PPM users are put on their suppliers' standard prepayment variable tariff and are therefore unable to protect themselves against price rises in the future. The lack of choice of tariffs undoubtedly acts as a major disincentive to switching.
- Suppliers should offer PPM customers who request a meter change, a free transfer to a credit meter if they have shown that they can manage their account effectively and wish to do so. If a meter transfer is accepted, suppliers should provide customers with an effective support service (regular follow-up phone calls, budgeting advice and information on meter reading) to ensure they successfully adapt to an alternative method of payment.
- If a transfer to credit meter is deemed inappropriate at the time the request is made, suppliers should ensure that customers receive clear information on the reasons for refusal and provided with the support they need to improve their meter and money management skills. This should include the option of a referral to a third party advice agency such as Citizens Advice to assist with budgeting and debt issues.
- Suppliers should accept that vulnerable low-income PPM users who are repaying arrears from a previous account are at the highest risk of falling into Fuel Poverty. It is therefore essential that repayments are set at an affordable level over an extended period of time.
- If vulnerability is evident when negotiating repayment plans, energy usage should automatically be monitored at regular intervals. If frequent use of Emergency Credit is established, all suppliers should be proactive in contacting customers, reviewing their ability

to repay arrears and if required, suspending arrears payments for an agreed period. The provision of such support will provide suppliers with the opportunity to develop a relationship built on trust and co-operation that can only be of benefit to both parties.

- Instruction Manuals on Self-Meter Reading (including essential information on the effect of Emergency Credit on arrears payments and standing charges) should be sent out to new PPM users **AND** those who move into a property where a PPM has already been installed. Given the vulnerability of many PPM users, the high turnover of rented accommodation and frequent lack of internet access, a PPM Instruction Manual should automatically be included when the Annual Statement is sent out each year.
- Suppliers should provide agencies that support vulnerable consumers with training and information packs on the effective management of prepayment meters. Whilst emphasis has been placed on the importance of improved communication between suppliers and their customers, scant attention has been placed on the need to extend this to the many organizations who are currently supporting vulnerable low income PPM users and who are in a position to disseminate the information to their clients.

### For Government and other bodies supporting consumers

- The government should implement a review of the support available for PPM customers and consider how they can better tackle the issue of PPM customers 'self-disconnecting'. More proactive intervention could be prescribed in cases where repeated 'self-disconnection' has been identified, such as investigating the eligibility for ECO, benefit entitlement checks and ensuring that the customer is made aware of their entitlement to the Warm Home Discount Scheme and suppliers trust funds, if appropriate.
- A working party of suppliers and other bodies supporting consumers should be convened by Ofgem to discuss the provision and content of clear easy-to-follow Instruction Manuals on PPM Management. Ofgem should then require suppliers who fail to provide PPM customers with this information, to do so.
- Ofgem should require energy suppliers to provide their PPM customers with regular easy-to-read statements identifying tariff costs, cost of standing charges, weekly arrears deductions and balance outstanding (if applicable) and energy usage. The current practice of sending out an Annual Statement with this information is an inappropriate tool for improving budgeting skills and energy efficiency as it denies consumers the opportunity to monitor their expenditure and energy usage. In view of the imminent introduction of Universal Credit, regular easy-to-read statements should be introduced as a matter of expediency.

## 1 Summary of data and findings

Questionnaires with a mix of closed and open-ended questions were distributed and completed with the assistance of: Citizens Advice Bureaux in Stratford-upon-Avon, Warwick District, North Warwickshire, Bedworth, Rugby and Nuneaton, Wolverhampton and Tamworth; Children's Centres around Warwickshire; Age UK Warwickshire, Age UK South Staffs, Age UK Wolverhampton; Orbit Heart of England Housing Services Team; Stratford District Council and Bromford Support<sup>4</sup>.

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<sup>4</sup> A list of participating organisations can be found at the end of the report. Additional data can be found under Appendix A, Chart 1.

A sample of **334** people responded to the call for evidence during November and December 2012.

- **91% were paying for electricity through a PPM**
- **69% were paying for gas through a PPM**

### **The weekly cost of prepayments**

Our respondents were asked to estimate how much they put into their gas and/or their electricity meter each week, in both warmer and colder weather.

**The average weekly combined expenditure on gas and electricity**, based on a minimum - maximum spend for each seasonal period, was:

- **£17 to £30 in warmer weather**
- **£30 to £48 in colder weather**

### **About our surveyed households**

#### **Composition of households**

In our survey nearly **70%** of households were headed by a single person

<b>Household</b>	<b>without children</b>	<b>with children</b>
Couple	13%	18%
Single	40%	29%

#### **Age and Gender**

Respondents were from a wide age range from 18 to 60+:

- **70% were aged between 18 and 49.**
- **9% were over 60 years of age.**
- Of those who gave this information, **190 were female and 106 male.**

#### **The income profile of our survey population:**

**Less than a third (31.1%) of our respondents are working, with half of these in receipt of Working Tax Credits. The remainder are dependent on benefits or pension.** (See Appendix A, Table 1) This means that most of our PPM users are living on the breadline and least able to afford the higher cost of prepayment tariffs and manage the variability in expenditure from season to season.

#### **Vulnerable Households**

PPM users were asked who else lived in their home in order to gain an indication of the extent of vulnerable households paying for their energy supply through a PPM. A vulnerable household is defined as one containing children, the elderly, or someone who is disabled or suffering from a long term illness<sup>5</sup>.

- **27% of households had children under 5**
- **22% of households had children between 5-9**
- **27% of households had children between 10-18**

<sup>5</sup> DECC Annual Report on Fuel Poverty Statistics 2012

- 8% of households had an adult over 60
- 30% of our respondents stated that they had someone in their household with health problems that required them to have the heating on constantly.

### **Access to the Internet**

**41% of our households did NOT have access to the internet.** This creates a significant barrier to finding a cheaper energy supplier on comparison websites or accessing downloadable leaflets and information on effective meter management from their supplier.

### **About the homes in our survey**

#### **Housing status**

- 62% lived in a Housing Association or Council property
- 19% lived in private rented accommodation
- 13% were Owner Occupiers
- 6% did not provide details

#### **Heating in the home**

Respondents were also asked what type of heating they had and whether they had to use any additional form of heating in the winter:

- 72% of the homes had Gas Central Heating
- 12% had Electric Central Heating
- 7% had Night Storage Heaters
- 1% had Oil Central Heating
- 4% of homes had no Central Heating
- 4% did not provide details

**Almost 30% of our respondents had to use additional forms of heating such as Calor Gas heaters, convector and/or fan heaters in the winter.** Although the energy efficiency levels of social housing properties<sup>6</sup> are generally higher than private rented accommodation, the variety of heaters used by our respondents would indicate that many homes were still cold enough to require supplementary heating. Older housing stock, not originally purpose-built for social housing tenants, is prevalent in parts of rural Warwickshire and these properties have proved to be difficult and costly to heat in winter. Generally, properties in the private rented sector are the least likely to be energy efficient.

## **2 The Meter and its Management**

### **Reason for the PPM in the home**

A PPM can be installed in the home by an energy supplier, either at the request of their customer or by the supplier when the customer has defaulted on an agreed payment plan to pay off a debt. It may also be installed if no other payment arrangement can be agreed, as an alternative to disconnection. However once the PPM is installed, the tenant or owner may move on but the PPM remains to be inherited by the next house- holder.

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<sup>6</sup> Hills J. Final Report of the Fuel Poverty Review 2012,

For many of our low-income respondents with a poor credit history, there it will remain as energy suppliers will require a PPM user to pass a credit-reference check or have no arrears before permitting them to move on to a Credit Meter<sup>7</sup>. In addition some energy providers charge over £50 for the removal of a PPM or require a substantial deposit to be paid: an insurmountable barrier for many PPM users which effectively prevents them from accessing the cheaper tariffs, discounts and deals available to direct debit customers.<sup>8</sup> We found that:

- **53% of respondents moved into a property where the PPM was already installed**
- **23% were installed by their energy supplier**
- **19% were installed at the respondent's request, frequently as a means of paying off arrears**
- **5% did not provide details**

### **Meter Management**

Our respondents were asked a range of questions in order to establish the extent of their knowledge on effective meter management. If PPM users do not understand how to check the settings on their meter in order to establish their tariff costs or the deductions being made or are unaware that their meter has this facility, their ability to keep track of their expenditure and energy usage is seriously undermined.

- **Only 39% of PPM householders in our survey had been given instructions or a manual explaining how to read their meter**

Given the high turnover of tenants in rented accommodation, it is unsurprising that so many PPM users surveyed lacked this essential information. Instructions on meter management are usually only supplied when the PPM is first installed and as our survey has revealed, the majority of householders move into a property where a PPM is already in place. This information is available online but many low income house- holders do not have access to the internet or, if they do, are unaware of its availability. Thus from the outset they are ill-equipped to manage their meter effectively.

- **Only 7% of Gas PPM users and 12% of Electricity PPM users knew the name of their tariff.**

This is not problematic in itself as most suppliers only offer one tariff to those who prepay but it is indicative of the lack of connection between PPM users and their energy suppliers.

### **Deductions from prepayments**

Unlike those on Credit Meters who can either receive a monthly statement online or quarterly bills, PPM users only receive an Annual Statement. This makes it impossible for them to monitor their expenditure, deductions and energy usage on a regular basis. This is particularly significant in relation to the deduction of daily Standing Charges and use of Emergency Credit.

### **Standing Charges**

- **Only 26% of our PPM users knew that Standing Charges were deducted through their prepayment meter.**

<sup>7</sup> For Big 6 energy suppliers conditions, see Roberts, Les (2012) 'How to switch from a prepayment meter' at <http://www.moneysupermarket.com/c/news/how-to-switch-from-a-prepayment-energy-meter/0014939>

<sup>8</sup> Lewis Martin, 'Martin's Blog' Nov.22 2011 at <http://blog.moneysavingexpert.com/2011/11/22/ditch-prepay-meters-for-free-and-let-mse-switch-for-you-ideas-given-to-chris-huhne/> accessed 2.03.2013

**This is essential information for any PPM user.** It means that when they topped up their card or key, 74% of our respondents did not know that around 28p a day (£1.96 a week) would be deducted from their payment, thus reducing the amount available for energy usage.

During the warmer weather many PPM users who have gas central heating will attempt to economise by **not** topping up their gas card. Unwittingly they are building up arrears through missed Standing Charges and (if relevant), missed arrears payments. When they next top up, the arrears will be deducted. The same situation arises for both gas and electricity PPM's if the householder is absent from the home for any period of time. The unexpected reduction in fuel availability can play havoc with budgets in households where every penny counts.

### **Emergency Credit**

This situation is exacerbated when a PPM user runs out of credit on their card or key and moves on to **Emergency Credit**. Suppliers provide an amount of credit on their meters (usually a minimum of £6) which can be accessed by pressing a button on the meter or it will automatically be put in place if credit runs out during the night.

- **55% of our PPM users did not know that deductions for arrears and standing charges ceased when they went on to Emergency Credit but are then taken when they next topped up.**

This has an even more detrimental effect on the amount of credit available for current usage, particularly for Electricity PPM users. The full amount of Emergency Credit used must be repaid when they next top up, plus missed Standing Charges and (if applicable) arrears payments. The much reduced balance remaining will then have to cover future daily Standing Charges, any arrears payments and their current fuel usage.

If Emergency Credit is accessed through a Gas PPM, 75% of the amount used will be deducted next time they top up, again with missed Standing Charges and arrears payments. The remaining 25% will then be taken on the next top up.

**If the money cannot be found or if it is not possible for the PPM user to leave their home and access their topping up facility once Emergency Credit has run out, the household will remain without lighting or heating and be unable to have hot food and drinks until the card or key can be topped up. Inevitably the need to reconnect the fuel supply in vulnerable households means that prepayments for fuel will always be prioritized above all other household expenditure.**

**The constant drain on limited financial resources incurred by moving on to Emergency Credit, combined with the repayment of missed deductions and current Standing charges, results in a high price being paid for reconnection. For low income and vulnerable households the reduced amount available for fuel costs is likely to result in a move back on to Emergency Credit within days and the repetition of meter debt accruing.**

With this in mind, we asked our respondents how many times a week they used the Emergency Credit facility on their meter, in both warmer and colder weather.

- **26% of PPM users needed to use Emergency Credit in warmer weather and 67% in colder weather**
- **Emergency Credit was used more frequently with electricity meters than gas. Single parents were the most frequent users; on average they used Emergency Credit 3 times a week in warmer weather and 5 times a week in colder weather.**

Clearly repaying the costs incurred by moving in and out of Emergency Credit escalates the frequency that a card or key has to be topped up and the amount of money that continually has to be found to reconnect the supply, particularly the electricity supply. Going without heating is one thing; going without light or cooking facilities for any period of time is rarely an option, especially if there are children or members of the family with health issues within the household.

Any attempt to budget or put money aside for other bills becomes an impossibility once a PPM user is trapped in a cycle of disconnection and reconnection. The financial deprivation and stress caused by the lack of understanding about the consequences of moving on to Emergency Credit cannot be underestimated; it renders the user powerless in every sense of the word.

### How arrears are managed

If a PPM is installed as a means of recouping a fuel debt, a fixed amount is deducted every time the card or key is topped up. Arrears payments, when combined with the deduction of daily Standing Charges, inevitably reduce the amount of money available for current usage. For example, if a PPM user only has £10 available to top up their card or key and has to pay off arrears of £3.50 and standing charges of £1.96 on a weekly basis, then just £4.58 is left for gas and electricity current usage. Within days more money must be found for the Meter, particularly if living in an area where gas is not supplied.

- **17% of PPM users had Gas arrears: only 32 knew the amount they owed**
- **21% of PPM users had Electricity arrears: only 46 knew the amount they owed**

Given the appalling lack of information held by our respondents on their tariff, Standing Charge costs and amount owed in arrears, it is worth noting that they are also unlikely to be aware of the recent changes to the Debt Assignment Protocol, promoted by Ofgem in 2012<sup>9</sup>. This increases the threshold of the amount of debt that can be switched between suppliers from £200 to £500. When householders move into a property where a PPM has already been installed, the previous tenant's energy supplier is usually adopted as a matter of course as it provides a quicker connection to the fuel supply. The tariff and unit costs per Kwh are rarely known.

The question of how PPM users would be able to make an informed choice on switching suppliers without this essential information has apparently gone unnoticed. Why they would consider switching when there is such a lack of choice of competitive prepayment tariffs needs to be addressed by both Ofgem and energy suppliers.

## 3 The Impact of Prepayment Meters

### Impact on Fuel Poverty

Affordable warmth is the ability of the householder to heat the home adequately for comfort and health without getting into fuel debt as a result. The lack of affordable warmth is known as fuel poverty - a household in fuel poverty is defined as one needing to spend 10% or more of their disposable income on energy for heating, hot water and other essential household activities.<sup>10</sup>The

<sup>9</sup> Ofgem Press Release, Sept.23, 2012. 'Ofgem makes it easier for Prepayment Meter customers in debt to switch supplier' at [http://www.ofgem.gov.uk/Media/PressRel/Documents1/20120923\\_Ofgem\\_makes\\_it\\_easier\\_for\\_prepay\\_meter\\_customers.pdf](http://www.ofgem.gov.uk/Media/PressRel/Documents1/20120923_Ofgem_makes_it_easier_for_prepay_meter_customers.pdf) accessed on 30.03.2013.

<sup>10</sup> DECC Annual Report on Fuel Poverty Statistics 2012

key elements in determining whether a household is fuel poor or not are income, fuel prices and fuel consumption (dependent on the energy efficiency of the property and lifestyle of the household).

**It has been established that the highest fuel poverty rate by payment method is amongst households that pay for their fuel using a PPM. The lower income level of PPM householders and their comparatively higher tariff costs have been identified as the cause.**

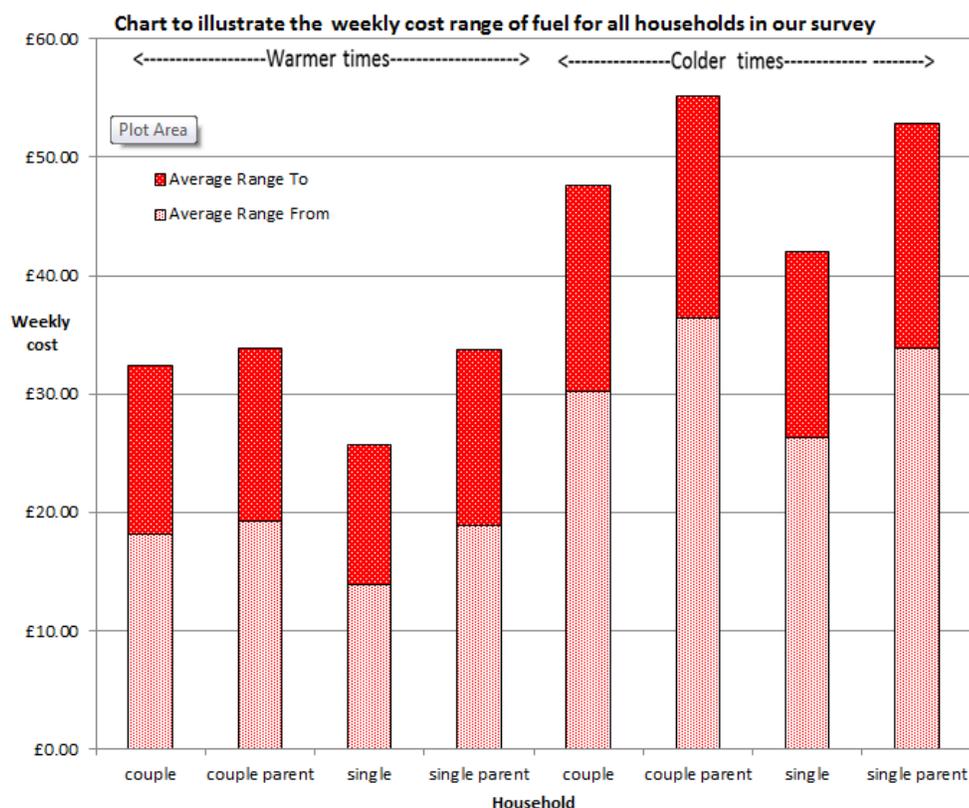
### Impact on Low Income Households

Our respondents were asked to estimate how much they put into their gas and/or their electricity meter each week in both warmer (April to September) and colder weather (October to March) as seasonal variations inevitably impact on the ability of PPM users to manage their money effectively in the long term since usage and prepayments can fluctuate on an almost weekly basis.

**The average weekly combined expenditure on gas and electricity**, based on a minimum - maximum spend for each seasonal period, was:

- **£17 to £30 in warmer weather**
- **£30 to £48 in colder weather**

The following chart shows the average combined expenditure on gas and electricity in both warmer and colder times for each household type. A single parent could be spending between £34 and £53 a week on their meters in the winter months - an unsustainable cost if living on benefits so a likely explanation for the high usage of Emergency Credit during cold weather.

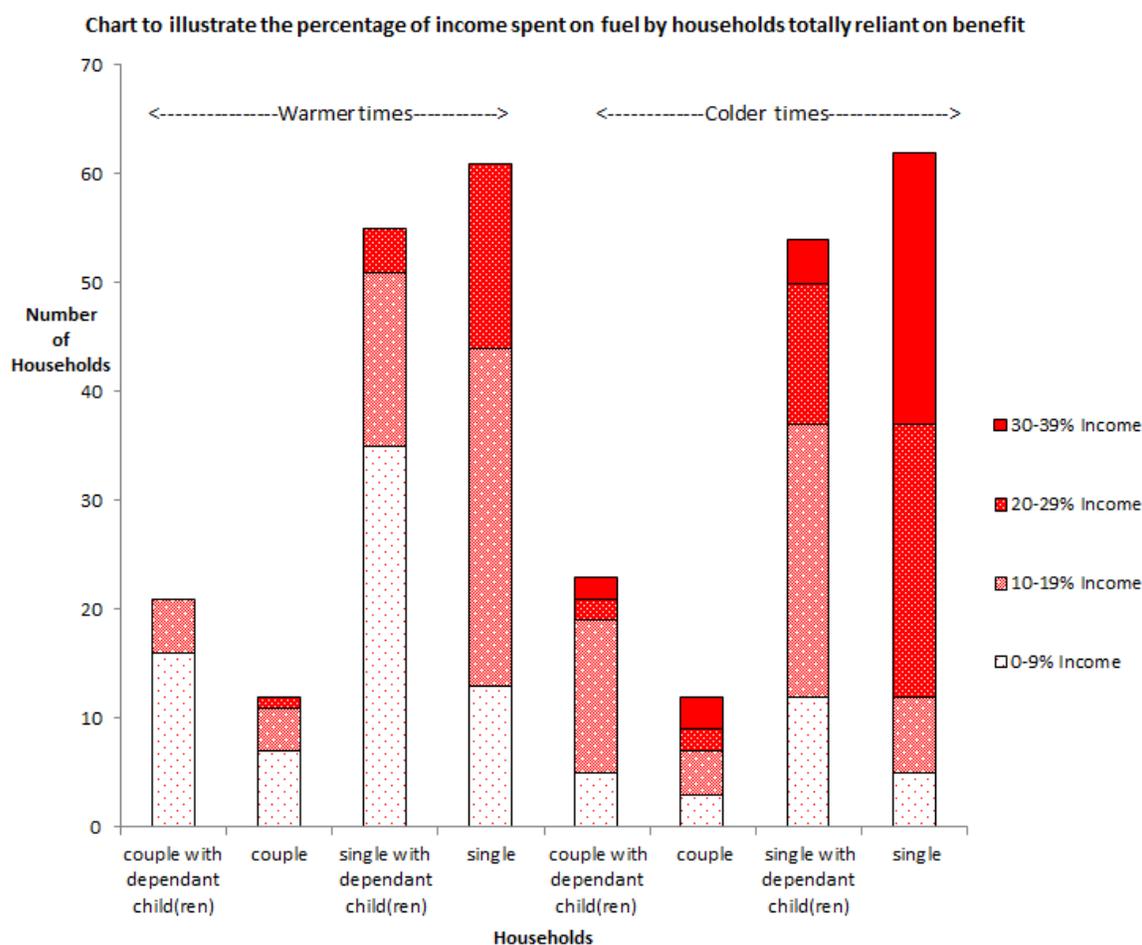


As our survey was undertaken throughout November and December 2012, these figures reflect energy usage through a relatively mild winter: a prolonged period of cold and wet weather would inevitably lengthen the period of higher payments.

On this basis, we were able to project the minimum percentage of income that households **entirely reliant on core benefits** spent on their fuel in both warmer and colder weather and thus establish the number of fuel poor households in this category. (Housing costs were excluded). **We found that:**

- **53% of households totally reliant on benefit income spent more than 10% of their income on gas and electricity in warmer times**
- **77% of households totally reliant on benefit income spent more than 10% of their income on gas and electricity in colder times**

The following chart illustrates the households in fuel poverty i.e. paying 10% or more of their income on fuel.



Although we were not in a position to undertake a similar assessment of PPM users in work (31%), just over half were in receipt of Working Tax Credits, identifying they were on a low income and therefore potentially at risk of living in fuel poverty. Pensioner households in our survey were found to be paying between 6% and 8% of their income on their fuel costs.

### Impact of Fuel Costs

The other contributory factor used to identify fuel poor households is the price that is being paid for fuel. As previously noted, PPM users are always adversely affected by the higher cost of prepayment tariffs and the lack of choice of tariffs, discounts and special offers available to those on Credit Meters who are on monthly Direct Debit payments. Only 1 of the 10 energy suppliers who

feature on comparison websites currently offer PPM users the opportunity to fix their fuel costs (British Gas) and thus avoid the impact of an increase in fuel prices.

As we go into the winter months of 2013, 4 of the big 6 energy suppliers have announced price increases of an average 8 -10% and others are likely to follow. Low income PPM users are hit doubly hard: on variable standard prepayment tariffs, not only are they unable to find the extra money needed when fuel costs are increased but they are also paying a higher price for their tariffs in the first place.

### Impact on the vulnerable

It is widely recognized that certain groups of people are more vulnerable to being fuel poor because they have higher energy requirements. These are the elderly, children, those with long term illnesses and disabled people or those with mobility problems.<sup>11</sup>

- **30% of our PPM users said that they had someone in their household with health problems that required them to have the heating on constantly**

73 people provided details of their own or family members' health problems: **15% of the 53 adults and 28 children in this group had long term illnesses and 9% were disabled or said they had mobility problems.**

The close relationship between fuel poor households, cold housing and cardiovascular and respiratory diseases is widely acknowledged and has also been attributed to the exacerbation of existing conditions such as arthritis and rheumatism<sup>12</sup>. These illnesses were prevalent amongst those surveyed; full details of all health issues can be found under **Appendix B**.

The introduction of the Warm Home Discount Scheme provides a positive step towards the elimination of Fuel Poverty for low income PPM households in the core group who automatically qualify for a rebate on their electricity account.. However for many of the vulnerable PPM households in the broader group<sup>13</sup> who have to either apply online or by contacting their supplier within a limited time frame and on a first come, first served basis, finding the money to pay for fuel will remain an insurmountable problem. The very nature of their vulnerability may in itself act as a barrier to accessing the financial assistance they so badly need.

## 4 Impact on Debt

Whilst our survey provides evidence of the factors that contribute to the high level of PPM households living in fuel poverty, it also provides a broader picture of the desperate struggle so many have to remain financially viable.

The constant necessity to top up their card or key can have a profound effect on the ability of low income PPM users to cover other household expenditure and service outstanding loan and debt repayments.

Our respondents were asked if they were struggling to pay a range of household bills:

- **75% of respondents said they found it difficult to pay for gas and electricity**
- **64% said they found it difficult to pay for food**

<sup>11</sup> Decc (2012) Annual Report on Fuel Poverty Statistics

<sup>12</sup> Marmot, M (2011) The Health Impacts of Cold Homes and Fuel Poverty

<sup>13</sup> For details of suppliers and the differing qualifying criteria for the broader group, see: <https://www.gov.uk/the-warm-home-discount-scheme/eligibility>

- **44% said they found it difficult to pay for their rent or mortgage**
- **45% said they found it difficult to pay for Credit Cards or Loans**
- **22% said they had difficulty in paying for other things**

They identified a range of household bills which, if unpaid, would have a negative impact on their credit history. Council Tax, TV Licence and Water Rates drew the highest response. Unsurprisingly in rural Warwickshire, the cost of petrol and motoring expenses was a common problem but paying for items related to children was also causing difficulty for many of our families - "school trips", "baby items", "school uniform" and "playgroup costs" were frequently cited.

**Continually having to find the money to put in the meter, sometimes two or three times a week, clearly has a detrimental effect on the ability of PPM users to survive on a day-to-day basis let alone plan for the future. With increases in fuel costs in the pipeline, the stark reality facing the majority of our householders is whether they pay for food or fuel, live in a cold home and eat, or put the heating on and face eviction.**

This was further demonstrated when our respondents were asked if they were struggling to repay debts and if so, how much in total they owed. (See Appendix A, Table 2).

Our survey revealed that:

- **62% of our respondents owed on average £3,840 per household**

As the majority of PPM users in our survey moved into a property where the meter had already been installed, rather than their supplier enforcing its installation because of fuel arrears, this level of debt provides strong evidence for our belief that paying for fuel through a PPM can create a predisposition to a multiple-debt situation arising. This appears to be at odds with the frequent promotion of PPM's as an effective budgeting tool for low income households.

We therefore felt it was important to provide our respondents with the opportunity to give their opinion on the impact paying for their fuel through a PPM had on their financial wellbeing.

**90% of our PPM users responded to this question; 254 gave the reason for their decision.**

Their opinion was evenly divided <sup>14</sup> -

- **38% said a PPM had a BAD effect on their finances**
- **37% said a PPM had a GOOD effect on their finances**
- **7% were undecided: of these, a quarter said a PPM had both a good and a bad effect.**

Despite the fact that our respondents are evenly split over the benefits that can be obtained by paying for fuel through a PPM, those who opted for their meter having a good effect on their finances consistently reflected on the disadvantages identified by those who felt it had a bad effect.

A couple living in social housing with their 13 month-old twins and a child under 9 have PPM's for both gas and electricity. In warmer weather they spend between £5-£10 on each meter and £10-20 on each meter in colder weather and pay £5 a week off their gas arrears. Despite the fact that the husband had a job which was supplemented by income from benefits, they said

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<sup>14</sup> With such a high number of respondents giving reasons for their decision, we have included a sample of both positive and negative answers, quoted verbatim, in Appendix B.

they were finding it difficult to pay for their energy supply and buy food and were struggling to repay debts of between £1,000-4,999. They commented: **“Good for paying arrears. Bad if electricity goes and have no money to top up again. Have to sit in cold and dark until next day or so”**

An older vulnerable respondent with health problems had a PPM installed by his electricity supplier 5 years ago to clear arrears of £500 which he is still repaying. He lives alone in social housing and is entirely reliant on benefits. He describes graphically why a PPM was having a bad effect on his finances: **“Electricity costs more. Goes off at inconvenient times. Lights go off, stumbles/falls when moving around. Fell down stairs a few times. Dangerous. Lost food because fridge goes off.”** He said he did not use Emergency Credit because **“it costs too much”**. He spends between £10-20 a week on his meter in warmer weather and £20-30 in colder weather.

## 5 Prepayment Meters and the Impact of Welfare Reform

With such a high level of PPM users either reliant on benefits or in low paid work, this picture of financial deprivation can only be exacerbated when cuts to benefits are implemented. The under-occupancy rule which came into effect in April 2013, could affect many of the 40% of working-age PPM recipients of Housing Benefit in our survey. If they under occupy by 1 bedroom they will have to make up the 14% deducted from their Housing Benefit, 2 bedrooms and this rises to 25%. Others may be affected by the Cap on total benefits that claimants can receive<sup>15</sup>.

Changes to Council Tax Benefit (CTB) could strike an additional blow to the budgets of the 38% of working age recipients of CTB in our survey. Those who are living in North Warwickshire will have to pay £8 to £10 per month towards their Council Tax bill, those in Nuneaton and Bedworth will have to pay 20%, in Rugby the maximum amount to be paid is 15%, in Wolverhampton 8.5% and in Tamworth most working age claimants who are currently in receipt of CTB will have to pay at least 25% of their liability from 1st April 2013.

However the changes made to the payment of benefits when Universal Credit is finally put into place put PPM households at the greatest risk. When their monthly payment is received many will be provided with the first opportunity they have ever had to ensure their fuel supply is not disconnected because of the lack of cash. Heating the home and putting food on the table may well be prioritised over paying the rent.

**75% of our householders have said they are already finding it difficult to pay for their gas and electricity and nearly two thirds are struggling to make repayments on their debts: the future looks very bleak indeed not only for vulnerable low-income PPM householders but also for their families and creditors once the benefit cuts begin to bite.**

## 6 Conclusion

The lack of choice has been a consistent theme throughout our survey into the impact PPM's have on the quality of life of their users: no choice in selecting prepayment as a method of payment for the majority who move into a home where a PPM is already installed, no choice of tariffs, no choice of moving to a Credit Meter for those with no savings or who have a poor credit history, no choice for the elderly, families with young children or those with health issues but to be burdened by excessive heating costs that rise every time there is an increase in energy costs. As they have

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<sup>15</sup> For couples with or without children and/or single parents the limit has been set at £500 per week. For single people not claiming as a couple, the limit is £350 per week.

made very clear, the only choice many of our PPM users have is “Heat or Eat”. With benefits cuts biting hard, that is increasingly becoming the option for a significant number of our respondents.

This provides an incentive for energy suppliers, social landlords and the government to seize the opportunity to develop a new strategy for the handling of fuel prepayments. By focusing on the empowerment of PPM users and elimination of the many barriers that prevent them taking control of their expenditure and energy usage, many households could not only be lifted out of Fuel Poverty but also have their quality of life improved.

### Acknowledgements

Special thanks to Pat Brownbill, Volunteer General Adviser at Stratford-on-Avon CAB who undertook the analysis and interpretation of data obtained from our Survey. Without her commitment and incisive comments this report could not have been produced. Thanks also to Heather Fellows for her editing skills. Grateful thanks must also go to the Financial Capability Workers and Volunteers of CABX in Warwickshire, Wolverhampton and Tamworth for their commitment and enthusiastic support as well as to their clients for their participation in this survey.

Thanks also to the Managers, Family Support Workers and parents at the following Children’s Centres - their contribution was invaluable:

Abbey Children’s Centre, Nuneaton; Alcester Children’s Centre, Badger Valley Children’s Centre, Shipston-on-Stour, Bedworth Heath Nursery and Children’s Centre, Kenilworth Children’s Centre and Nursery, Lighthorne Heath Children’s Centre, Lillington Children’s Centre Leamington Spa, Rainbow Children’s Centre, Bedworth, Southam Childrens Centre, St. John’s Children Centre, Kenilworth, Stratford-upon-Avon Children’s Centre, Studley Children’s Centre, Warwick Children’s Centre and Nursery.

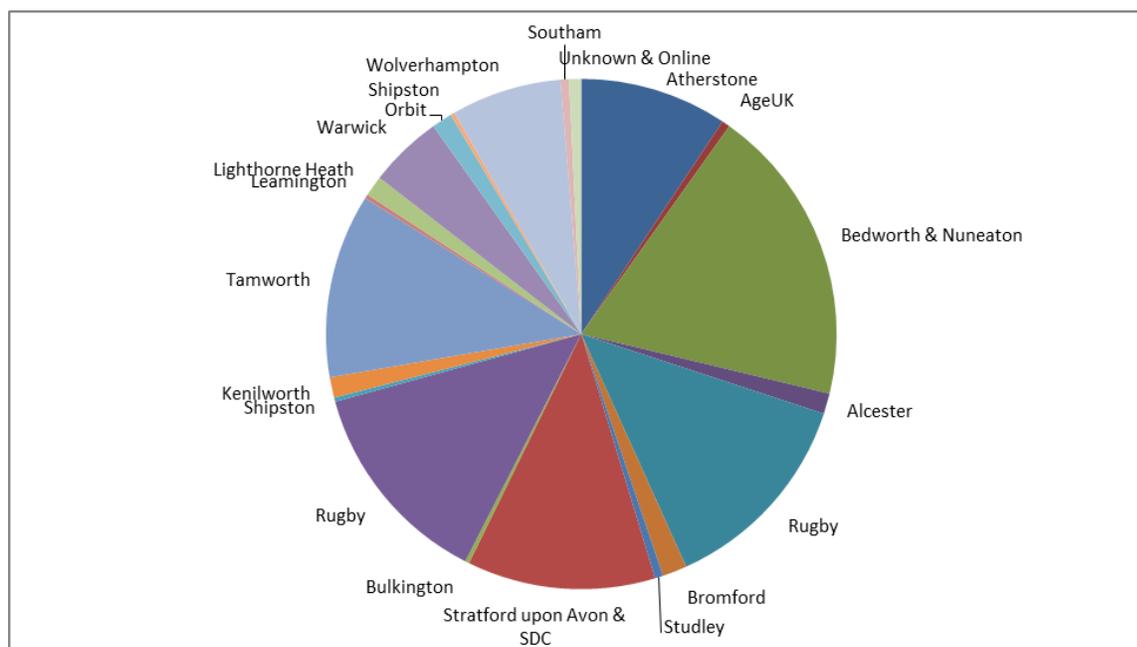
The participation of the following organizations was also very much appreciated - Age UK Warwickshire, Age UK South Staffs, Age UK Wolverhampton, Bromford Support, South Warwickshire, Orbit Heart of England, Stratford District Council and Warwickshire Family Information Service

**If you would like further information on the Report or would like to provide feedback, please contact Marilyn Price at Stratford-on-Avon and District CAB on 01789 200131 or email [Marilyn.Price@stratforduponavoncab.org.uk](mailto:Marilyn.Price@stratforduponavoncab.org.uk)**

**Autumn 2013**

## APPENDIX A

**Chart 1 Questionnaire Sources by Area and Organisation**



**Table 1 Income Profile of Our Survey Population**

Income source	Number of respondents	%
Wages	104	31
Pensions – not pension credit	14	4
Benefit income only	172	52
Incomplete information given	44	13

**Table 2 Average Levels of Household Debt Recorded**

Debt Range	Number of respondents	%
No debt listed	128	38.3

Up to £1000	62	18.6
£1,000 - £4,999	80	24.0
£5,000 - £9,999	48	14.4
£10000+	16	4.8

## APPENDIX B (1)

### Range of health problems in a PPM household requiring constant heating:

I have diabetes

Partner has muscle and joint problems- arthrogropysis

Type 1 diabetes and asthma

Mental Health problems ; my medication has side effects of making me cold

Wife is diabetic

Replacement hips and knees; mobility

Autistic child; bed wetting - washing drying

Daughter has joint problems

I get bronchitis

Diabetes

Arthritis

Asthmatic daughter. Damp and very cold. Not insulated and can't be

Me & 2 children have asthma which is worse when cold

Paramytonia congenita which is temp dependent

Wife has stress related seizures

Asthma and low blood pressure

Young Children

Daughter suffers from chest infections

Depression

Premature baby

Colds, migraines

My son has loads of health problems

Problem with immunity

Pains in joints, worse with cold

Asthma

Disabled 6 year old (Brittle bones, she must not be cold)

Chest problems

M.E.

Son with Cerebral Palsy

I have Bells palsy and have chest condition which worsens in cold weather

Have to keep house warm due to sons scarring on his hand

Angina/osteoporosis/thin blood

Fibromyalgia

Reg blind, depression, hip problems

Asthma

Asthma/M H problems

Cancer

Cancer

Disabled

Myself, mobility issues. 2 children, asthma  
 If it's cold I need heating for my 8 month old son  
 Asthma  
 3 year old daughter had pneumonia so is prone to chest infections  
 Poorly and cold  
 Asthma  
 Severe IBS depression mobility difficulty  
 Arthritis, fibromyalgia, hypermobility syndrome and more  
 I am asthmatic  
 My baby  
 M.E  
 Son has bronchitis  
 Asthma  
 Mental health, manic depression and psychosis  
 Bad back, sciatica  
 Mental health  
 For daughter  
 Child suffers from eczema  
 Had a stroke, do not leave house  
 Diabetic Type 1  
 Lung disease  
 Emphacemia so need to keep warm  
 2 of my children and myself have asthma and my oldest has IB disease so is quite often  
 housebound  
 Daughter suffers with asthma and chest infection  
 Baby has bronchitis  
 Disabled 6 year old  
 Both are in poorish health. Wife seldom leaves the house, would like to be warmer but can't  
 afford it  
 Arthritis in hands and feet. Son may have that too. Its good to stay warm so we don't pass each  
 other colds  
 Eczema and asthma  
 Arthritis  
 Eczema and asthma

## APPENDIX B (2)

### Sample of responses to 'Does a PPM have a good or bad effect on your finances?'

#### BAD EFFECT

'I have to pay more and also have to pay double when on E.C. when next top up'  
 'Would benefit from going on DD but cannot afford deposit of £500'  
 'We use too much on it. The money goes faster every time we top up'  
 'It is good in one way because you can budget but bad in another because we use more gas  
 and electric and I am constantly topping up'  
 'Because people think I can't or won't pay bills'  
 'Very expensive, £40 lasts 3 days'  
 'Because always run out which leaves a choice between food or electric and having lights on at  
 night is essential coz without gas or electric you can't make a decent hot meal'  
 'We cannot either buy food or pay other bills and heat the house. We often don't heat the  
 house, just 4 year old son's room'

**GOOD EFFECT:**

'Don't end up with big bill to pay. Does seem very expensive, always topping up in the winter. Never really get warm.'

'We can't wind up with a big bill but we are afraid to use the heating too often because of the cost. Prefer to use a duvet to keep warm'

'It prevents me having a big bill I would be unable to pay'

'I don't get a bill, I can put a little amount or more if I have the cash and I can spread it across the gas and electric which one is needed the most'

'I can't get into trouble. If I haven't got enough electric to do washing or tumble drying I don't as I can see the amount I have'

I can work out where my money is going every week. Better than having it taken from my bank account'

'Do not get a bill to pay to pay after 3 months'

'No big bill'