

## Who we are

Consumer Scotland is the statutory body for consumers in Scotland. Established by the Consumer Scotland Act 2020, we are accountable to the Scottish Parliament. Consumer Scotland's purpose is to improve outcomes for current and future consumers and our strategic objectives are:

- to enhance understanding and awareness of consumer issues by strengthening the evidence base
- to serve the needs and aspirations of current and future consumers by inspiring and influencing the public, private and third sectors
- to enable the active participation of consumers in a fairer economy by improving access to information and support

## Policy Context

Prepayment meters (PPMs) provide a 'pay-as-you-go' payment method through which consumers pay for the energy they use in advance. Pre-dating the energy crisis, many consumers saw prepayment meters as a useful budgeting tool. However, there are specific types of consumer detriment associated with paying by prepayment meter.

Research from Citizens Advice Scotland in 2023 showed that when consumers experience detriment related to PPMs such as disconnection, debt or possible forced installation it is often severe, with serious impacts on health and wellbeing. The research indicates that prepayment meters can create or exacerbate vulnerability, which amplifies harm experienced by some consumers<sup>1</sup>.

Scotland has a high number of households on prepayment meters (17.9% of households).

Many of these are likely to be households on low incomes and in fuel poverty.<sup>2</sup>

Consumers on prepayment meters pay more for energy, despite being much more likely to be fuel poor and on a low income. They are more likely to be living in social housing and be single person or single-parent households. Forty-two per cent of households in the social sector have prepayment meters compared with 21.3% of private sector and 5.4% of owner occupied. Over a quarter (25.8%) of households of single adult and 48.5% of single-parent households have a prepayment meter<sup>3</sup>.

More recently, there has been attention given to poor practices by some energy suppliers, such as examples of remote switching of smart meters from credit to prepayment mode without following due process<sup>4</sup>. In the case of legacy prepayment meters there have also been reports of mass approval of warrants by the courts for replacing meters without due regard given to vulnerability<sup>5</sup>.

The current pause on PPM installations, alongside Ofgem's prepayment Market Compliance Review (MCR), are important actions towards protection for prepayment meter consumers<sup>67</sup>.

However, the risk of disconnection and associated harms still exists for the 421,000 households in Scotland using prepayment meters – as well as those across Great Britain as a whole<sup>8</sup>. Disconnection – often called 'self-disconnection' in the industry – can lead to people being unable to meet essential needs such as storing and cooking food, keeping warm, bathing, washing, using medical appliances or storing medication.

## Key Findings

The winter 2022-2023 wave of Consumer Scotland's Energy Tracker survey<sup>9</sup> was carried

out by YouGov on behalf of Consumer Scotland. The Energy Tracker shows that prepayment meter consumers are much more likely to report negative experiences of energy affordability, rationing and impacts on health and wellbeing.

## **Prepayment meter consumers are much more likely to report affordability challenges**

- Sixty per cent of prepayment meter users report not managing well financially compared with 29% of direct debit/standing order consumers
- Sixty-one per cent of prepayment meter users say it is difficult to keep up with energy bills compared with 29% of those on direct debit/standing order
- Notably, 53% of prepayment consumers report cutting back on food to afford energy bills compared with 33% of direct debit/standing order and 37% of all consumers
- Eighty-three per cent of prepayment meter users report cutting back on at least one area of spending to afford energy bills compared with 69% of those on direct debit/standing order and 72% of all consumers



## **Prepayment meter consumers are more likely to report borrowing money to keep up with their energy bills**

- Twenty-seven per cent of prepayment meter consumers reported borrowing money from friends or family due to the impact of rising costs of energy compared to 9% of those paying by direct debit/standing order

- Twelve per cent of prepayment meter consumers reported missing a rent or mortgage payment compared with 1% of those paying by direct debit/standing order and 3% of all consumers
- Thirty-seven per cent of prepayment customers reported at least one of the following: borrowing money from family and friends; borrowing money from a bank, payday lender or other provider; missing a rent or mortgage payment. This compared with 14% of direct debit/standing order consumers and 18% of all consumers



## **Prepayment meter users are more likely to report rationing their energy use**

- Sixty-two per cent of prepayment meter users reported they couldn't heat their home to a comfortable standard compared with 37% of direct debit/standing order consumers and 42% of all consumers
- Seventy-four per cent of prepayment consumers were rationing their energy use compared with 66% of direct debit/standing order consumers and 68% of all consumers
- Twenty-three per cent of prepayment meter consumers reported they had run out of credit because they couldn't afford it. Twenty-five per cent had reduced the amount they were putting on their meter
- Overall 59% reported issues related to being on a prepayment meter such as: being unable to top up for health reasons, top up point closure, being unable to afford to, forgetting,

reducing top up amounts or seeking financial assistance due to energy costs

- Fourteen per cent of prepayment meter consumers reported seeking financial support from their supplier compared with 3% of consumers on direct debit/standing order and 4% of all consumers



## Impacts of energy bills on health of prepayment meter consumers

- Fifty-six per cent of prepayment consumers reported their mental health being affected either 'a lot' or 'a fair amount' by keeping up with energy bills compared with 36% of direct debit/standing order consumers and 39% of all consumers
- Thirty-nine per cent of prepayment meter consumers reported their physical health being impacted negatively compared with 25% of direct debit/standing order consumers and 28% of all consumers

## Conclusion

The analysis shows the need for greater consideration of prepayment meter consumers across the energy market in response to the current crisis and in the longer-term.

There is an important role for Ofgem and suppliers to determine a future for prepayment meter customers which seeks to

improve consumer protection, increase targeted financial support and ensure price parity for prepayment meter consumers.

The recent exposures of failure of due diligence on vulnerability also highlights the need for improvements to how consumers in vulnerable circumstances are protected within the energy market. This includes a role for the courts in strengthening the approval system for warrants for legacy prepayment meters.

## Next steps

Consumer Scotland is making the following recommendations to Ofgem and suppliers:

- The current pause on installations of PPMs should continue until Ofgem are confident individual suppliers comply with licence conditions
- The processes to ensure that PPMs installations are a last resort should be strengthened, with fit for purpose affordability processes and an onus on suppliers to prove 'no vulnerability' exists in a household'
- Ofgem should expand the vulnerability criteria to include financial vulnerability, with greater consideration given to protecting disabled consumers
- There should be parity of costs for direct debit and prepay customers

<sup>1</sup> CAS (2023) [Frontline perspective: clients' journey with prepayment meters](#)

<sup>2</sup> Scottish Housing Condition Survey (2019) [Key Findings](#)

<sup>3</sup> Scottish Housing Condition Survey (2019) [Key Findings](#)

<sup>4</sup> BBC (2022) [Energy firms remotely swap homes to prepay meters](#)

<sup>5</sup> Guardian (2022) [MPs call for ban on installations of prepayment meters](#)

<sup>6</sup> Ofgem (2023) [Tackling supplier inappropriate prepayment practices](#)

<sup>7</sup> Ofgem (2023) [Ofgem statement on British Gas prepayment meter installations](#)

<sup>8</sup> Scottish Housing Condition Survey (2019) [Key Findings](#)

<sup>9</sup> In 2022-23 Consumer Scotland commissioned research to monitor over time the impact of the cost of living crisis on energy consumers in Scotland, using an online tracker survey that could be repeated at regular intervals. Consumer Scotland commissioned YouGov Plc to conduct a series of online quantitative surveys to regularly monitor the impact of the cost of living crisis for energy consumers in Scotland. The fieldwork for the survey wave reported in this briefing was undertaken 28th November – 13th December 2022, the total sample size was 1,621 Scottish adults aged 16+.