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by email to [ConsumerVulnerability@ofgem.gov.uk](mailto:ConsumerVulnerability@ofgem.gov.uk)

# Ofgem Consumer Vulnerability Strategy Refresh

## About us

Consumer Scotland is the statutory body for consumers in Scotland. Established by the Consumer Scotland Act 2020, we are accountable to the Scottish Parliament. The Act defines consumers as individuals and small businesses that purchase, use or receive in Scotland goods or services supplied by a business, profession, not for profit enterprise, or public body.

Our 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

Consumer Scotland uses data, research and analysis to inform our work on the key issues facing consumers in Scotland. In conjunction with that evidence base we seek a consumer perspective through the application of the consumer principles of access, choice, safety, information, fairness, representation, sustainability and redress.

## Consumer principles

The Consumer Principles are a set of principles developed by consumer organisations in the UK and overseas.

Consumer Scotland uses the Consumer Principles as a framework through which to analyse the evidence on markets and related issues from a consumer perspective.

The Consumer Principles are:

- Access: Can people get the goods or services they need or want?
- Choice: Is there any?
- Safety: Are the goods or services dangerous to health or welfare?
- Information: Is it available, accurate and useful?
- Fairness: Are some or all consumers unfairly discriminated against?
- Representation: Do consumers have a say in how goods or services are provided?
- Redress: If things go wrong, is there a system for making things right?
- Sustainability: Are consumers enabled to make sustainable choices?

## Our response

### Overview

Consumer Scotland welcomes the opportunity to contribute to the refresh of Ofgem's Vulnerability Strategy.

Consumer Scotland has contributed to the Strategy refresh process through:

- Participation in Ofgem's stakeholder workshop in October 2024 to consider the Strategy
- Facilitating a bespoke workshop between the Ofgem Strategy refresh team and members of Consumer Scotland's Consumers in Vulnerable Circumstances Committee

This short written response is intended to complement these inputs.

## General feedback

In October 2024 Consumer Scotland published a statement setting out our own approach, as Scotland's statutory consumer organisation, to working with consumers in vulnerable circumstances: [Consumer Scotland's approach to working with consumers in vulnerable circumstances | Consumer Scotland](#)

Through the development of this approach we have identified a number of points of principles and learning that may be of value to Ofgem as it considers the refresh of the Vulnerability Strategy. We offer these reflections here.

### a) The importance of language

Consumer Scotland's preferred approach is to use the general term 'consumers in vulnerable circumstances' or 'consumer vulnerability' rather than 'vulnerable consumers'. We seek to avoid the term 'vulnerable consumers' because it suggests that particular consumers are inherently vulnerable. Anyone can experience vulnerability at different times based on their circumstances and the markets they are engaged in.

We recognise however, that language is imperfect, and that no wording or phrase can convey all the complexities of life for any individual, especially those who live with vulnerable circumstances.

### In refreshing the Vulnerability Strategy, we would encourage Ofgem to:

- Consider the use of language around consumers in vulnerable circumstances. We note that the draft Strategy uses the term 'vulnerable customers' in a number of places, as well as the term 'customers in vulnerable situations'. We recommend that Ofgem amends the language to use the latter term throughout in the final version of the Strategy.
- Work with suppliers to ensure that they use appropriate language in considering consumers in vulnerable circumstances and to enable consumers to refer to themselves in the way that is most appropriate for them when dealing with energy companies
- Build in mechanisms to support ongoing reflection on the use of language throughout delivery of the Strategy, to ensure that it remains appropriate and reflects current good practice.

### b) Factors influencing vulnerability

When considering consumer vulnerability, Consumer Scotland's approach is informed by the following factors:

- Consumer vulnerability can be **temporary, sporadic or permanent**. The circumstances encountered in everyday life can result in any person experiencing vulnerability

- Consumers can **move in and out of states of vulnerability** and they may be vulnerable in respect of some categories of transaction but not others
- Vulnerability can be **situation dependent** with consumers often experiencing vulnerability because of factors outside their control. This, and the inequalities that may result, can be caused by a failure of markets, regulators, the state and wider society rather than the individual or their circumstances
- Vulnerability can be **cumulative** and when different characteristics, life circumstances and **structural inequalities** combine, inequalities can be compounded.

**We encourage Ofgem to:**

- Strengthen the visibility of these four factors in the final version of the refreshed Vulnerability Strategy. We suggest that these could sit underneath the definition of vulnerability, to provide further context to underpin the definition.
- Ensure that the projects that are designed to deliver the Strategy outcomes are clearly cognisant of these four factors, helping to secure positive outcomes for consumers
- Work with energy suppliers to ensure that they have a strong understanding of the factors underpinning consumer vulnerability and that their interventions to support consumers in vulnerable circumstances are reflective of these factors

**c) A systems-based approach to improving outcomes for consumers in vulnerable circumstances**

Consumer Scotland recommends that a systems-based approach should be taken by governments, regulators and businesses when considering the issues experienced by consumers in vulnerable circumstances.

A ‘systems-based approach’ means that rather than considering certain consumers as inherently vulnerable, focus should be given to the structures and situations that can give rise to a risk of harm for consumers. In practice, this means analysing weaknesses in service design or inherent inequalities within the service being provided, rather than focussing on the characteristics of a person which may have caused them to experience vulnerability.

We are supportive of the proposed outcomes set out in Ofgem’s refreshed Vulnerability Strategy, as these broadly adopt a clear-systems focus.

**Building on this, we encourage Ofgem to:**

- Ensure that the projects that are designed to deliver the Strategy outcomes clearly focus on improving the systems and service design issues which can cause consumers to experience vulnerabilities

- Work with energy suppliers to ensure that they have a strong understanding of the importance of taking a systems-based approach to tackling consumer vulnerability and that their interventions to support consumers in vulnerable circumstances are designed to deliver systemic improvements

**d) Engagement with consumers in vulnerable circumstances**

Consumer Scotland recommends that work to tackle consumer vulnerability must be informed by the lived experience of consumers in vulnerable circumstances.

We have identified six principles and associated actions to underpin research and other activities that include people with lived experience:

Principle	Actions
Person-centred	<ul style="list-style-type: none"> <li>• ‘Experts by experience’ are provided with support to participate</li> <li>• Varied flexible opportunities</li> <li>• Reduce power disparities and engage in open dialogue regarding this</li> </ul>
Transparency	<ul style="list-style-type: none"> <li>• Clear information provided and specific informed consent sought</li> <li>• Participation and sharing of experience is always voluntary</li> <li>• Participants informed of outcome and any continuing opportunities</li> </ul>
People first	<ul style="list-style-type: none"> <li>• Treat participants as people first and foremost</li> <li>• Identity first language</li> <li>• Individuals able to refer to themselves in the way they choose</li> </ul>
Relationship focused	<ul style="list-style-type: none"> <li>• Build trusting relationships with experts by experience and with community and partner organisations</li> </ul>
Recognition	<ul style="list-style-type: none"> <li>• Experts by experience are recognised and valued and their work rewarded</li> </ul>
Do no harm	<ul style="list-style-type: none"> <li>• Risks to personal and social harm are minimised</li> <li>• Safeguards in place to ensure concerns can be raised confidentially and are acted upon</li> </ul>

We welcome the work that Ofgem has done to involve the lived experience of consumers in the refresh of the Vulnerability Strategy, including the consumer research undertaken on the Strategy and the direct engagement of Ofgem’s Board with the consumers involved in the research.

We note that in the Vulnerability Strategy for 2019-25, Ofgem encouraged energy suppliers to directly involve consumers in their work to improve customer service standards, for example through a consumer panel (Outcome 3B). There does not appear to be a similar focus on ongoing consumer engagement in supplier decision-making in the refreshed Strategy.

**We would encourage Ofgem to build on the positive involvement of consumers in vulnerable circumstances in the Strategy refresh process and undertake the following actions:**

- Consider how it can use its own mechanisms for involving the lived experience of consumers in monitoring the progress of the Strategy, identifying opportunities to maximise the benefit of the Strategy projects for consumers. We provide a specific recommendation on this issue later in our response.
- Encourage suppliers to establish or evolve their own systems for involving consumers in vulnerable circumstances in the design of interventions to meet the Strategy outcomes, following the types of principles set out above.

Question 1: Do you agree that we should not update the current definition of vulnerability?

We are supportive of the definition of vulnerability set out in the Strategy. This definition aligns well with the definition in the Consumer Scotland Act 2020, which sets out how Consumer Scotland addresses consumer vulnerability.

For reference, we have included this definition from the Consumer Scotland Act here, to demonstrate the high level of synergy with the approach taken in the Vulnerability Strategy:

*“Consumers who, by reason of their circumstances or characteristics—*

*(a) may have significantly fewer or less favourable options as consumers than a typical consumer, or*

*(b) Are otherwise at a significantly greater risk of:*

*(i) harm being caused to their interests as consumers, or*

*(ii) harm caused to those interests being more substantial,*

*than would be the case for a typical consumer”*

In its descriptions of Customer Circumstances in the Strategy, Ofgem could give greater consideration to the particular circumstances of rural consumers in Scotland. A combination of higher fuel costs, lower incomes, a colder and damper climate and energy efficiency challenges for prevalent property types contribute to higher levels of fuel poverty in rural

Scotland<sup>1</sup>. **We recommend that Ofgem includes a more explicit recognition of these dimensions which impact on the vulnerability of rural consumers in Scotland in the final Strategy.**

Questions 2 and 3: Do you agree that we should keep our 5 key themes the same? Do you agree that we should make 'Working with others' a cross-cutting theme?

Consumer Scotland is supportive of retaining the themes set out in the Strategy. This continuity in approach recognises the significant challenges facing consumers in vulnerable circumstances across these themes and provides a solid foundation for ongoing work to address these issues.

Consumer Scotland's work, across consumer markets including energy markets, is framed by three strategic themes:

- Tackling the cost of living
- Climate change adaptation and mitigation
- Consumers in vulnerable circumstances

The themes in the Vulnerability Strategy align well with the issues that we have identified as priorities for consumers in Scotland.

While the themes remain consistent, it will be important that the projects delivered under each of the themes to improve outcomes for consumers evolve, to take account of the differing circumstances for consumers today, compared to 2019. In particular, this includes the significant impact that the COVID-19 pandemic and the cost of living crisis has had for consumers, along with the increased urgency of the response to climate change.

As energy markets prepare for significant further changes in the coming years it is essential that the interests of consumers in vulnerable circumstances are at the forefront of this work. The timing of the Vulnerability Strategy refresh is therefore significant. We are supportive of the tighter and narrower focus of the refreshed Strategy. However, given the heightened level of vulnerability experienced by many consumers across multiple markets during the past six years, and the significant changes coming to energy markets in the coming decade, it is important that the new Strategy plays an even more central role in guiding Ofgem's decision-making during the period it is in operation.

**To that end, we recommend that Ofgem includes a clear statement of intent in the final Strategy, emphasising the central role that it sees the Strategy playing in shaping its overall approach to market design and regulation; and in driving supplier behaviour in the round during the Strategy period.**

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<sup>1</sup> [A-Perfect-Storm-Fuel-Poverty-in-Rural-Scotland.pdf \(changeworks.org.uk\)](https://www.changeworks.org.uk/A-Perfect-Storm-Fuel-Poverty-in-Rural-Scotland.pdf)

**Ofgem should complement this by explicitly highlighting in the final Strategy how its Strategy work will enable it to prevent consumer vulnerability before it occurs, as well as supporting consumers who are currently in vulnerable circumstances.**

We welcome the cross-cutting theme to work with partners to solve issues across multiple sectors. Recognising that consumer vulnerability is rarely limited to a single market, we encourage Ofgem to work in partnership with partners delivering essential services for consumers in other markets, such as financial services, telecommunications and water in order to deliver holistic solutions for consumers. We note that the Strategy refresh does not propose standalone outcomes or work programmes for this theme.

**We would encourage Ofgem to consider any specific tangible, cross-market activity that it will deliver for vulnerable consumers during the Strategy period and to include relevant outcomes within the final Strategy. It is important for prioritisation, transparency and accountability that these cross-market initiatives have the same platform for delivery as the other actions being advanced under the Strategy.**

Questions 4 and 5: Do you agree with our proposed outcomes? Do you have any comments on our definitions of success or metrics to monitor progress and delivery of the outcomes?

### **Feedback on Theme 1**

We are supportive of the proposed work on this theme.

As part of its activities to deliver against this theme we would encourage Ofgem to undertake distributional analysis to identify where there are structural issues causing significant detriment for certain groups of consumers within a market, compared to issues which affect a larger number of consumers at a lower level. This will allow Ofgem to target interventions to tackle consumer harm which may go undetected at a macro level.

Recently, Consumer Scotland has identified the need for greater consideration of those with high essential energy expenditure, beyond energy efficiency<sup>2</sup>. High essential energy expenditure refers to the costs resulting from energy usage which is necessary for the health and wellbeing of the individual or household. Reasons for high essential energy expenditure may be costs of medical or mobility equipment, increased heating or power requirements due to disability, or having children under 5 in the household. The focus on expenditure, rather than usage, relates to the fact that changes in how energy is priced can increase or decrease expenditure when usage remains constant.

As noted above, as energy markets evolve, it will be essential that Ofgem and energy suppliers have access to the right data that allows them to understand which consumers are experiencing vulnerability today and who may be at risk of vulnerability as markets evolve. **A focus on consumers in vulnerable circumstances, supported by high quality data, must be central to the development of future energy markets. We would encourage Ofgem to**

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<sup>2</sup> [Disabled consumers and energy costs - interim findings | Consumer Scotland](#)



**explicitly make this link between Theme 1 on data and Theme 4 on innovation in the final version of the Vulnerability Strategy.**

## **Feedback on Theme 2**

We are broadly supportive of the approach outlined for this theme.

**We would however encourage Ofgem to include a specific outcome on reducing energy debt as part of this theme. To support this outcome, references to repayment plans in the Strategy should emphasise the importance of these being affordable for consumers. Ofgem should work with suppliers to ensure that they are following best practice in delivering the highest levels of flexibility possible for consumers in reducing energy debt.**

Evidence from Consumer Scotland's Energy Affordability Tracker shows that more than one in twelve (9%) households in Scotland are in energy debt<sup>3</sup>.

Our definition of energy debt is deliberately broad, and encompasses people who have borrowed from friends or family or taken out loans to pay their energy bills, as well as those in arrears with their energy supplier. On this broader definition, the energy debt of GB households likely exceeds Ofgem's data on the energy debt and arrears owed directly to suppliers.

Of those who told us they were in energy debt, our latest data indicated a worsening picture in relation to the numbers experiencing debt recovery action in relation to arrears, with 20% reporting having debt of this nature in January / February 2024, compared to 10% in October 2023. Overall, 17% reported being put on a prepayment meter as a result of their energy debt. Looking ahead, the picture is not positive with almost half (48%) of consumers in in Scotland in energy debt not confident that they will be able to clear their debt or arrears.

Our Tracker shows that the risk factors most associated with energy indebtedness are having a disability that limits a lot, having a health condition, and having a child under 5 in the household. These factors are more strongly associated with energy indebtedness than low income itself.

Households that pay by standard credit or prepayment meter are more likely to be in energy debt than those who pay by direct debit. Whilst this might not come as a surprise, it holds true even after controlling for the fact that pre-payment and standard credit customers have lower incomes on average. One factor that may be behind the greater indebtedness of these customers is that they are unable to smooth their payments out across the year and so face more substantial outgoings during the winter months.

Customers who are in energy debt are substantially more likely to say that keeping up with energy bills negatively affects their mental and physical health than those not in energy

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<sup>3</sup> [Insights from latest Energy Affordability Tracker: Causes and impact of energy debt | Consumer Scotland](#)

debt. This association remains substantial even after controlling for factors such as income, age and health.

### **Feedback on Theme 3**

We are supportive of the proposals set out in relation to this theme.

We would encourage Ofgem to explicitly reference the importance of accessibility and language services (including translation services) in the outcomes for this theme, recognising the significance of these issues for some consumers in vulnerable circumstances.

### **Feedback on Theme 4**

We are supportive of this theme, however there are opportunities for it to be strengthened to deliver positive outcomes for consumers in vulnerable circumstances.

The current framing of the theme focuses on ensuring that the transition to net zero does not leave behind or disadvantage consumers in vulnerable circumstances. This is welcome and we are supportive of this approach. However, the theme could be strengthened by locating the interests of consumers in vulnerable circumstances more centrally to the net zero transition.

This may be achieved, for example, by framing the theme outcome with a clear focus on preventing and reducing vulnerability by incentivising the ‘designing in’ of inclusion in energy market development from the outset. This would mean taking inclusion as the starting goal for the transition and working from there, rather than design starting with a ‘typical’ consumer and then seeking to tackle any vulnerability issues that this might cause.

This links to the points noted above about the value of a preventative approach; and including an explicit statement within the final Vulnerability Strategy which emphasises the centrality of this work to Ofgem’s overall approach to regulation and market design in the coming period.

Questions 6, 7 and 8: Do you agree with our proposals for annual supplier presentations to Ofgem on how they are delivering good outcomes for their consumers in vulnerable situations? Do you agree with our proposals for reporting the findings from these presentations, and for the inclusion of the key SOR metrics and research be included Do you agree with our proposals for a dedicated section on our website to inform updates for the live Strategy?

We are supportive of the proposals that Ofgem has set out in the refreshed Strategy around improving transparency and accountability.

**We would encourage Ofgem to consider the following actions, as additional activities, which could help to strengthen the proposals further:**

- Panel events can play a useful role in supporting transparency and accountability. However, these are most effective when underpinned by clearly defined and measurable outcomes, against which suppliers can be held to account. Without such outcomes there is a risk that Panel sessions could lack focus, and may not provide sufficient rigour in being able to assess whether or not progress is being achieved.
- Ofgem suggests in the consultation that consumer representative groups could participate in the annual Panel event where suppliers would present the work they have undertaken on vulnerability. We would be supportive of consumer representative organisations being involved in these events. It will be important however, that there is clarity in such sessions between the respective roles that consumer representatives and Ofgem will play – recognising the different responsibilities, powers and levers that each party has in holding suppliers to account. As noted above, the use of clear, measurable outcomes against which suppliers should report progress can help to support the appropriate level of scrutiny and accountability.
- If the Vulnerability Strategy is to play a central role in driving the actions of suppliers, we would suggest that Ofgem gives consideration to making the Panel event a 6-monthly event, rather than annual. We are concerned that an annual event may not give the issues the required priority and attention that tackling complex vulnerabilities will require.
- Alongside the Ofgem (and consumer group) led events with suppliers, we would encourage Ofgem to consider how it can engage consumers directly in reviewing progress against the Vulnerability Strategy. We recommend that this direct consumer engagement should happen at key milestones throughout the Strategy period. We recommend that Ofgem considers how it might bring together a group of consumers, such as those who took part in the initial research to inform the Strategy refresh, on a small number of occasions during Strategy delivery to review progress and provide feedback. We recommend that the principles set out earlier in this response, for engaging with Experts by Experience should guide this engagement.