

IE Hub Response to Ofgem Consultation:

Resetting the **Energy Debt** Landscape

Foreword

At IE Hub, we support Ofgem's efforts to reset the energy debt landscape and introduce a fair, consistent, and sustainable debt relief scheme. Our mission is to empower consumers in financial difficulty by providing them with tools to manage their income and expenditure (I&E) and engage with creditors effectively.

This consultation presents an opportunity to standardise debt relief approaches and offer meaningful support to those in financial hardship. Our response outlines key areas where IE Hub's experience in financial vulnerability and affordability assessments can contribute to Ofgem's proposed framework.

The Case for Change

We fully support the need for intervention in the energy sector's debt landscape. Current pathways, such as forced prepayment meters or litigation, often heighten financial hardship rather than resolve it. A well-structured debt relief scheme will provide struggling consumers with a path to financial stability and prevent the reaccumulation of debt.

Standardising debt relief is critical. Some suppliers already offer their own schemes, but without a uniform approach, inconsistencies arise, leading to unfair treatment of consumers. By implementing a sector-wide framework, Ofgem can ensure equity and transparency in how debt is managed across all suppliers.

Support for a Debt Relief Scheme

IE Hub strongly agrees with the introduction of a two-tiered debt relief scheme, combining direct debt write-offs with a debt matching programme. Our data highlights a 209% increase in consumers reporting energy debt between 2023 and 2024, reinforcing the urgent need for intervention.

Debt matching has proven effective in other sectors, such as water, where engagement with consumers has led to more sustainable payment plans. Ensuring consumers engage with their suppliers during the process will help prevent future debt accumulation. Our platform's data shows an 88% kept payment arrangement rate, demonstrating the effectiveness of structured affordability assessments.

However, the scheme must also consider consumers who cannot afford ongoing payments. For many, there is a feeling of hopelessness regarding their energy debt. A comprehensive support framework must be in place to prevent further financial distress and ensure no consumer is left behind.

Design Principles for Debt Relief

We broadly agree with Ofgem's proposed design principles but have key observations:

- **Time-Bound Restrictions:** While we acknowledge the need for eligibility windows, support must also extend to consumers who have only recently fallen into debt due to depleted savings or rising costs.
- **Affordability Assessments:** Ofgem should prioritise real-time affordability assessments using the Standard Financial Statement (SFS) methodology rather than relying solely on historical data, which may not reflect a consumer's current financial status.
- **Comprehensive Inclusion:** Any debt relief scheme should be flexible enough to include consumers who remain at risk beyond the predefined eligibility criteria.

Reducing Implementation Delays

Given the increasing scale of energy debt, Ofgem must ensure swift implementation of the scheme. IE Hub proposes:

- **Clear Guidelines for Suppliers:** Prescriptive processes and preferred partnerships will reduce administrative overheads and streamline implementation.
- **Leverage Proven Models:** Our successful work within the water sector demonstrates that digital-first solutions can efficiently identify eligible consumers and integrate debt relief processes.
- **Enhanced Data Sharing:** Digital affordability assessments can accelerate decision-making and reduce administrative burdens.

Time Limits and Public Awareness

We support a time-limited approach to the scheme, as a defined end date can drive consumer engagement. However, sufficient public awareness efforts must be undertaken to ensure all eligible consumers are informed and can access support in time.

Type and Level of Support

Debt relief must be aligned with realistic consumer needs. Our data suggests an average energy debt value of £773.38 per household. The scheme must ensure:

- Alignment with existing debt solutions, such as DROs or IVAs, to prevent conflicts between support mechanisms.
- Consideration of household affordability rather than solely income-based criteria to ensure targeted assistance.

Delivery Mechanism

We support **Delivery Option 1**, where suppliers implement the scheme under Ofgem's oversight. However, multiple trusted partners should be involved in assessing affordability using the SFS framework. This ensures a balanced, independent approach to consumer eligibility assessments.

Data-Driven Eligibility

We recommend:

- **Self-Serve Affordability Assessments:** Consumers should have the option to complete assessments digitally, reducing reliance on overstretched debt advice services.
- **Revised Data Proxies:** Indices such as Warm Home Discount eligibility and council tax banding may exclude key consumer groups, particularly disabled individuals. SFS-compliant affordability assessments provide the most accurate measure of financial vulnerability.
- **Proactive Engagement for At-Risk Consumers:** Targeted outreach for those with low Account and Arrears Management (AAM) scores could ensure those in need are not overlooked.

Application Process


A structured, transparent application process will ensure accessibility and efficiency. Where possible, automatic eligibility should be applied to consumers already identified as financially vulnerable. For those outside this group, an SFS-compliant affordability assessment should determine eligibility.

Debt Matching and Write-Off Eligibility

Debt matching has been successfully applied in the water sector and should be a key component of the energy debt relief scheme. Eligibility criteria should distinguish between:

- Consumers unable to make additional payments, qualifying for full debt write-off.
- Consumers who can contribute towards their arrears, qualifying for debt matching.

Assessing household affordability, rather than setting fixed income thresholds, will ensure a fairer and more accurate allocation of support.

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Funding Considerations


We believe any additional burden on already struggling consumers should be minimised. If consumer bills are used to recover costs, the repayment period should be extended as long as feasible to reduce annual impact.

Alternative funding mechanisms, such as voluntary contributions through a “social good tariff,” should be explored to provide additional support without increasing financial pressure on vulnerable households.

Final Thoughts

IE Hub supports Ofgem’s ambition to implement a fair and effective energy debt relief scheme. Standardised affordability assessments, comprehensive support mechanisms, and digital-first solutions are critical to ensuring success. We welcome further discussions and are committed to providing additional data insights and case studies to support policy development.

For further engagement, please contact us at beth@iehub.org or mark@iehub.org

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