



House of Commons  
London  
SW1A 0AA

## **Press Release – For immediate release**

**Sarah Champion**  
**Member of Parliament for Rotherham**  
**20<sup>th</sup> February 2013**

### **Press Release**

#### **Sarah Champion MP calls for end to energy bill ‘shady dealings’**

Sarah Champion has called on the government to tackle ‘shady dealings’ from energy companies that have caused many local families to over-pay by £100 each.

Champion spoke in the House of Commons to criticise energy companies that offer up-front incentives to pay by Direct Debit and then greatly increase the monthly payments a short time later.

Figures suggest a typical Rotherham family in credit on their Direct Debit will have over-paid by more than £100 for their energy. Npower, the biggest provider of energy in Yorkshire, revealed that more than 3.7m customers were in credit to it, with the average amount being £106.89.

The Rotherham MP said debt is a major worry for low-income parents, made worse by rising energy costs. According to research by Save the Children/You Gov, 71% of parents on the lowest incomes are worried that their energy bill will push them into debt.

The proportion of homes in fuel poverty in England and Wales has seen a dramatic increase in two years – up from under one in five households (18%) to one in four now (25%).

Sarah Champion MP told the House of Commons:

“£106.89 of my constituents’ money is sat in the energy companies accounts. My constituents are not receiving interest on that money. They cannot draw it down to pay for their children’s clothes or food. In fact, they probably do not even know that they have this money, as the energy companies do not tell them unless they leave or specifically ask the question.”

“Money is really tight at the moment. Some people in Rotherham are forced to go to loan sharks to make ends meet, saddling themselves with mind-numbing interest rates when all the time the energy companies have their money in their fat accounts.”

“I am very supportive of Labour’s campaign to make all energy companies put over-75s on the lowest tariff. That simple act would ensure that up to 4 million pensioners would benefit from lower energy bills. From the pensioners I have spoken to in Rotherham, the security of knowing they are on the lowest rate would give them great peace of mind and help considerably in managing their pensions.”

“We need to abolish Ofgem and replace it with a tough regulator with a statutory duty to monitor wholesale and retail energy prices and ensure that the suppliers pass on these savings. A strong regulator could tackle the shady dealings occurring with direct debits.”

**ENDS**

## **FACTBOX**

### **HOW TO GET A REFUND ON YOUR ENERGY BILLS**

**Under Condition 27 of the Gas and Electricity Supply Licence Conditions, gas and electricity firms are required to refund you any credit you have built up if you ask for it.**

**If you think you are paying too much for your energy, simply call your provider and ask for your direct debit to be reviewed and reduced. Make sure you have a current meter reading to hand.**

**The firm can try to convince you to leave some credit on your bill. This may be wise if, for example, you were building up credit for the winter months.**

**For more advice or information please write to [sarah.champion.mp@parliament.uk](mailto:sarah.champion.mp@parliament.uk)**

**ENDS**

Note to editors:

All quotes are from speech delivered in House of Commons on 16 January 2013 during an opposition day debate called by Labour, full text follows:

<http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130116/debtext/130116-0003.htm>

Sarah Champion (Rotherham) (Lab): I would like to bring to the debate an issue that a number of my constituents have asked me to raise: direct debit payments to energy companies. As the Secretary of State recognised in his opening comments, the cost of living is rising, energy bills are soaring and there are increasing concerns about job security, and so people are trying to manage their finances responsibly. Debt is a major worry for low-income families, as it is for us all. According to research by Save the Children and YouGov, 71% of parents on the lowest incomes are worried that energy bills will push them into debt. Heating the home is always a priority.

Direct debit appears to be a good way to predict and manage your monthly expenditure, and energy companies often offer incentives if you pay by direct debit. Many of my constituents have taken up the offer, thinking that they are saving money and acting prudently. Across the country, 65% of people are paying by direct debit.

For a few months, the arrangement works. Then the energy companies send a letter saying that the direct debit payments are going up, often by more than 50%. The companies' say that this is to account for "increased usage", and that the original estimate they gave, which was the reason to switch to them, was inaccurate. From my personal experience, customers are not given alternative methods of payment or told by how much usage has increased, just that they will be taking extra money from their account. That is presented as a fact and is not a point for debate, leaving no option but to accept and pay the increased amount, regardless of the impact on the household budget.

This summer, my right hon. Friend the Member for Don Valley (Caroline Flint) wrote to all of the big six energy providers. Only SSE and npower responded. Npower, the biggest provider of energy in Yorkshire and so most pertinent to Rotherham, stated that more than 3.7 million domestic customers were in credit to it. Surely that figure proves that the majority of people do not need their direct debit to be increased.

Npower also stated that the average level of credit is £106.89—£106.89 of my constituents' money is sat in the energy companies accounts. My constituents are not receiving interest on that money. They cannot draw it down to pay for their children's clothes or food. In fact, they probably do not even know that they have this money, as the energy companies do not tell them unless they leave or specifically ask the question.

A study by the respected Institute for Public Policy Research think-tank found that as many as 5 million homes were being overcharged by their energy supplier, with some households paying £300 a year more than necessary—that cannot be right. Why are the Government and Ofgem letting this happen? Money is really tight at the moment. Some people in Rotherham are forced to go to loan sharks to make ends meet, saddling themselves with mind-numbing interest rates when all the time the energy companies have their money in their fat accounts. Many of my constituents are at zero at the end of each week. They have to micro-manage their budgets just to keep out of debt. That planning and prudence is completely thrown out of the window when the energy companies increase their direct debit payments unannounced.

Currently, there is nothing that people can do about this situation, as most people are tied into contracts. While the savvier may change suppliers at the end of their contract, we know that the majority do not. Switching between energy companies reached its lowest level ever in the first quarter of last year. Partly, this is due to people being disillusioned with the energy companies—thinking they are all the same—and partly it is apathy, but often it is because of the complexity of the process.

This is especially the case with people over-75, who are the least likely to investigate cheaper tariffs and switch suppliers. They are the least IT literate and the least aware of the savings they could make by switching. I am very supportive of our campaign to make all energy companies put over-75s on the lowest tariff. That simple act would ensure that up to 4 million pensioners would benefit from lower energy bills. From the pensioners I have spoken to in Rotherham, the security of knowing they are on the lowest rate would give them great peace of mind and help considerably in managing their pensions.

The current situation regarding direct debits is that neither the Government nor Ofgem even require energy companies to report on how much the customer is in credit. We need to abolish Ofgem and replace it with a tough regulator with a statutory duty to monitor wholesale and retail energy prices and ensure that the suppliers pass on these savings. A strong regulator could tackle the shady dealings occurring with direct debits.

To restore faith in the energy companies, we need them to be transparent and accountable, and the Government needs to take strong action to make that happen. At the moment, suppliers seem to be riding roughshod over us all, seemingly without caring about the impact of their decisions.