

Energy regulator announces plans to improve protection for direct debit customers

The UK's energy regulator has announced plans to better protect customers who pay their bills by direct debit.

Ofgem's measures include limits on payments billed via direct debit, to "ensure credit balances do not become excessive".

Other proposals include ensuring suppliers have enough money during difficult circumstances and allowing firms to have sufficient control over key assets.

Also included are rules to protect those credit balances when a company fails and customers are moved to a new supplier.

More than 25 energy suppliers collapsed last year and the cost of moving their customers to new suppliers was £94 per household.

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This included the cost of new suppliers having to buy extra gas at short notice while prices were at record highs, replacing lost customer credit balances and green levy payments.

Monday's announcement comes as household energy bills are set to surge further, with the price cap [forecast to rise by £830 to £2,800 in October](#).

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That will worsen the cost of living crisis for those struggling with an increase in national insurance, council tax, fuel and food.

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Jonathan Brearley, chief executive of Ofgem, said: “Today’s plans are another step in making sure the complex energy market is fair, resilient and works for everyone.

“The energy market remains incredibly volatile and there are a number of huge geopolitical issues continuing to apply massive pressure. Ofgem is working hard to ensure energy suppliers shore up their positions so they can weather the ongoing storm.

“By ensuring that suppliers are operating well-financed, sustainable, and have more resilient business models, we can avoid the supplier failures we saw last year which caused huge stress and worry and added costs to everyone’s bills.

“But if some do still fail, consumer credit balances and green levy/renewables payments will be protected. Currently they are used by some suppliers like an interest free company credit card.

“Moving forward, all suppliers will have to have enough working capital to run, without putting their customers’ credit balances at risk.

“Today’s proposals will make sure that customers’ hard-earned money is properly protected so that a company must foot the bill if it fails, rather than consumers picking up the tab.”

Gillian Cooper, of Citizens Advice, said: “Ofgem has previously allowed energy suppliers to run risky business models. As a result, it’s customers who’ve been left to foot the bill when companies collapse.

“We’re glad that Ofgem has listened to our warnings and is taking necessary steps to tackle some of the root causes of these issues.

“It must now ensure suppliers stick to these tougher standards so that people are better protected in the future.”