

Five household energy suppliers called out amid row over unjustified direct debit levels

The energy regulator has called out five of the country's biggest household energy suppliers for their treatment of customers amid complaints of unjustified direct debit levels.

Ofgem launched a [compliance review](#) in May after the business secretary Kwasi Kwarteng complained that "some" companies had been increasing direct debit payments "beyond what is required" following the energy price shock linked to the war in Ukraine.

The issue came to a head in March, ahead of the near-£700 hike in the price cap, when the consumer campaigner Martin Lewis told MPs that some companies had [doubled direct debits](#) in some cases in a bid to improve their cash flow.

Ofgem, which this week gave a nod to industry warnings that average annual bills [could soar above £3,000](#) this winter, said on Wednesday that Ecotricity, Good Energy, Green Energy UK, Utilita Energy and TruEnergy had been found to have moderate to severe weaknesses or failings in their handling of direct debit customers.

Another firm, UK Energy Incubator Hub, was also placed in this category but the watchdog said it was no longer trading.

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Ofgem said that the active suppliers had now been required to take "immediate and urgent action" including repayments if needed, and to consider whether goodwill payments were warranted.

The problems ranged, it said, from inadequately documented or embedded processes, weak governance and controls, to an overall lack of a structured approach to setting customer direct debits.

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It declared that these issues could lead to direct debits being set incorrectly or not being evaluated for a long time.

The review found that, on average, direct debit levels for customers on a standard variable tariff (SVT) between February and April increased by 62% – mostly reflecting the increased cost of wholesale gas.

The study showed that 8% (500,000 households) saw rises above 100% which “concerned” the regulator.

Ofgem said, despite this, that it had “not found evidence of unjustifiably high direct debits”.

Out of a total of 17 large suppliers in the market, the majority were found to only have minor failings.

The regulator said there were no major concerns over direct debit operations at British Gas, EDF, ScottishPower and SO Energy.

Those found to have minor weaknesses consisted of Bulb, E.ON, Octopus Energy, Outfox the Market, Ovo, Shell and Utility Warehouse.

An Octopus spokesperson said of its inclusion: “Ofgem’s minor concern with Octopus is that customers are paying less than the regulator would expect – the opposite of the assumptions that payments are set too high.

“Octopus’s revolutionary balance forecaster ends the mystery of direct debit levels and truly puts customers in control.

“We’d love to see Ofgem make Octopus-level transparency mandatory for all energy suppliers.”

Green Energy said it was disappointed to be facing action, declaring that it had “genuine concerns that the information that we supplied has been misunderstood or ignored”.

Commenting on the big picture, deputy director of supplier lobby group Energy UK Dhara Vyas, said: “Steep rises in energy bills have meant big increases in direct debit payments, which can also be triggered by changes in tariffs, high debit balances or an updated meter read.

“Given the situation, it’s right for Ofgem to check how suppliers are setting these.

“Suppliers are required to set direct debits at a level that allows the customer to pay the same amount each month, without running up too much credit and or getting into too much debt, basing this on each customer’s individual circumstances – taking into account factors like energy usage and record with previous payments.

“Doing this at a time when energy bills are rising rapidly can be challenging, so it’s important that all suppliers’ processes are as robust as possible so that customers can be confident these are being set fairly.”