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# Regulation of customer credit retained by energy suppliers

1	Background	3
1.1	Credit balances	3
	How much is held in credit?	3
1.2	Ofgem’s rules on credit balances	4
	Credit balances on open accounts	4
	Credit balances on closed accounts	4
	Credit balances in the event of supplier failure	5
1.3	Issues associated with credit balances	5
	Unsustainable business models	6
	Accuracy of direct debit charges	7
	Difficulty receiving refunds	8
1.4	Recent proposals for reform	9
	Automatic refunds and credit balance limits	9
	Ringfencing credit balances	10
2	Parliamentary Questions	12
3	News items	15

## Summary

A Westminster Hall debate is scheduled for 9.30am on Wednesday 22 February on regulation of customer credit retained by energy suppliers. The debate will be opened by Drew Hendry MP.

## What are customer credit balances?

Domestic energy customers accrue credit on their account when they are paying for more energy than they are using. Customers who pay an equal amount every month will typically build up credit in the summer, when energy consumption is low. In the winter, energy consumption is higher and the cost exceeds the monthly payment. The customer's credit balance is used to make up the difference.

Ofgem refers to credit balance in excess of what is required to cover winter debt as 'surplus credit balance.' It has estimated that, in October 2018, energy suppliers held £590 million to £1.4 billion in surplus credit.

## How are credit balances currently regulated?

Ofgem's rules do not limit the amount of credit suppliers can hold or what they can and cannot do with the money. There are, however, rules designed to limit the accrual of excessive surplus credit. Direct debits must be as accurate as possible based on the information available and suppliers have a general obligation to not be "overly reliant" on customer credit. Customers can request a refund on their credit balance at any time. Credit must be refunded promptly unless there are good reasons not to do so.

## What are the issues associated with customer credit balances?

Energy suppliers can view credit balances as a form of revenue because it is, in principle, money that customers will eventually owe them. As such, credit balances may be treated as a source of working capital that can be used by suppliers to meet short-term obligation.

Ofgem, the Business Energy and Industrial Strategy Select Committee, and industry and consumer groups have noted potential issues associated with energy suppliers' use of customer credit balances as working capital, including that it permits unsustainable business models and that it gives energy suppliers an incentive to set direct debits higher than necessary and to make it difficult for customers to withdraw their credit.

Ofgem has been looking at reforms to better protect customer credit balances since 2018. Proposals to require suppliers to automatically refund credit at the end of the contract year and to limit the amount of credit they hold were dropped. Ofgem has also decided against proceeding with an alternative proposal to require suppliers to ringfence the customer credit they hold. Instead, the regulator has strengthened its rules requiring direct debits to be as accurate as possible and is consulting on a power to direct individual suppliers to ringfence credit balances when they do not meet certain financial resilience standards.

# 1 Background

A Westminster Hall debate is scheduled for 9.30am on Wednesday 22 February on regulation of customer credit retained by energy suppliers. The debate will be opened by Drew Hendry MP.

This debate pack focuses on Ofgem's regulation of customer credit balances in Great Britain.

## 1.1 Credit balances

Most UK households pay for electricity (and, if used, gas) through a monthly direct debit.<sup>1</sup> Payments are spread out equally across the year based on the supplier's estimate of how much energy the customer will use. This can lead to the customer building up a credit balance because payments in the summer will typically exceed the cost of energy used. The credit built up during these months is applied to bills in the winter, when energy usage is higher. Ofgem refers to credit balances that exceed what is necessary to cover winter energy costs as "surplus credit balances." They can accumulate in a number of ways:

- **Error** – suppliers may overestimate the customer's annual consumption and set direct debits too high, leaving the account in credit at the end of the year;
- **Poor practice** – suppliers may not have taken adequate steps to ensure bills are accurate, such as regularly reviewing direct debit amounts and obtaining meter readings;
- **Prepayment** – suppliers may require customers to pay for their energy use a month in advance, meaning that they will accrue surplus credit balances of at least one month's worth of energy.<sup>2</sup>

### How much is held in credit?

Data on the amount of money held in consumer credit accounts is not publicly available. Based on information provided by energy suppliers, Ofgem found that in October 2018 there was a total of £590 million to £1.4 billion in surplus credit balances.<sup>3</sup>

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<sup>1</sup> BEIS, [Quarterly energy prices – December 2022](#), 22 December 2022, p6

<sup>2</sup> Ofgem, [Supplier Licensing Review: reducing credit balance mutualisation](#), 17 March 2021, para 2.13

<sup>3</sup> Ofgem, [Supplier Licensing Review: reducing credit balance mutualisation](#), 17 March 2021, para 2.20

## 1.2

# Ofgem's rules on credit balances

Gas and electricity suppliers need a licence from Ofgem to operate in Great Britain. One of the ways in which Ofgem regulates the industry is by attaching conditions to these licences.

Ofgem's rules require direct debits to be as accurate as possible based on the information available and, if requested by the customer, refunded promptly unless there are good reasons not to do so.

Suppliers have a general obligation to not be "overly reliant" on customer credit.<sup>4</sup> However, licence conditions do not limit the amount of credit suppliers can hold or what they can and cannot do with the money.

## Credit balances on open accounts

Licence conditions require suppliers to set direct debits payments based on the "best and most current information available", including on the amount of energy the customer is expected to use in the coming contract year.<sup>5</sup> In other words, suppliers should try to set direct debit payments so that the customer's credit balance will be £0 at the end of the year.

These rules on accuracy were announced in August 2022.<sup>6</sup> Prior to that, licence conditions had only required suppliers to take "all reasonable steps" to ensure direct debits were based on the best information, and there was an exception if "clear and express" contract terms provided otherwise.<sup>7</sup>

Customers can ask for their credit to be refunded at any time. Suppliers are required to comply with refund requests "in a timely manner" unless it is "fair and reasonable" for them to refuse. "Fair and reasonable" is not further defined. If suppliers refuse to issue a refund they must explain why they consider their decision fair and reasonable.<sup>8</sup>

## Credit balances on closed accounts

Ofgem sets rules for energy suppliers regarding service standards, known as the Supplier Guaranteed Standards of Performance. The rules are contained in the [Electricity and Gas \(Standards of Performance\) \(Suppliers\) Regulations 2015](#), as amended.

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<sup>4</sup> Ofgem, [Financial Responsibility Principle guidance](#), 22 March 2021

<sup>5</sup> Ofgem, [Decision on statutory consultation on strengthening fixed direct debit rules](#), 26 August 2022

<sup>6</sup> Ofgem, [Decision on statutory consultation on strengthening fixed direct debit rules](#), 26 August 2022

<sup>7</sup> Ofgem, [Electricity supply licence – consolidated version](#), 18 July 2022, SLC 27.15-27.16

<sup>8</sup> Ofgem, [Electricity supply licence – consolidated version](#), 18 July 2022, SLC 27.15-27.16

The 2015 Regulations state that when a customer switches to another energy supplier or otherwise ends their contract, the energy supplier must send the customer a final bill within six weeks. If the customer's account is in credit, the supplier must refund the balance within 10 working days of issuing the final bill. Customers are entitled to compensation if these standards are not met.

## Credit balances in the event of supplier failure

When an energy supplier goes out of business, Ofgem can appoint another energy supplier to take over their customers. This Supplier of Last Resort (SoLR) procedure ensures that when energy supplier failure occurs, affected domestic customers are guaranteed continuity of supply. Credit balances may be lost when suppliers fail but in the past all SoLRs have committed to protecting them.<sup>9</sup>

SoLRs can seek compensation for the cost of taking on new customers. This can include the cost of protecting credit balances. Compensation costs are spread out (mutualised) across the industry through higher network charges, and may ultimately be passed on to consumer bills.

## 1.3

## Issues associated with credit balances

Ofgem regards the practice of charging fixed monthly direct debit payments as beneficial to consumers and suppliers.<sup>10</sup> It allows consumers to predict how much they need to budget for energy each month. By building up credit in the summer it prevents higher bills in the winter.

For suppliers, credit balances can be seen as a form of revenue. That is because if direct debits have been set correctly, a customer's credit balance is money that will eventually be owed to the energy supplier. Until the credit is needed to cover higher bills later in the year it is available as a form of working capital (that is, capital used to meet short-term obligations). Credit balances can, for example, be used to cover expenses such as the forward purchasing of energy. Without this, suppliers would have to seek capital on the commercial markets from banks and investors.<sup>11</sup>

Ofgem, the Business Energy and Industrial Strategy Select Committee, and industry and consumer groups have noted potential issues associated with energy suppliers' use of customer credit balances as working capital,

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<sup>9</sup> Ombudsman Services, [Supplier of Last Resort procedures](#), accessed 18 February 2023

<sup>10</sup> Ofgem, [Supplier Licensing Review: reducing credit balance mutualisation](#), 17 March 2021, para 2.3-2.5

<sup>11</sup> Ofgem, [Supplier Licensing Review: reducing credit balance mutualisation](#), 17 March 2021, para 2.3-2.9

including that it permits unsustainable business models and that it gives energy suppliers an incentive to set direct debits higher than necessary and to make it difficult for customers to withdraw their credit.

## Unsustainable business models

Ofgem's Financial Responsibility Principle, introduced into energy supply licences in early 2021, states that an energy company should not be "overly reliant on customer credit balances for its working capital."<sup>12</sup> However, the regulator has noted that some suppliers have been treating customer credit balances as "a source of risk-free capital", allowing them to fund low-cost tariffs that proved to be unsustainable:

In examining the gas crisis, we have identified one of the root causes of the failures of many of those suppliers who exited the market is related to the way that they have managed the money paid to them by customers. This is money that is intended to pay for energy, or collected to support the wider development of renewable energy.

However, some suppliers have been using these balances to prop up their finances, enabling them to follow more risky business models with reduced financial resilience and higher likelihood of failure.<sup>13</sup>

In a July 2022 report the House of Commons Business, Energy and Industrial Strategy (BEIS) Committee criticised Ofgem for allowing "companies with glaringly inadequate financial arrangements and high-risk business models to enter the market" with minimal oversight.<sup>14</sup> The Committee identified this as a key contributor to the collapse of 29 energy suppliers between July 2021 and May 2022.

Economics consultancy Oxera analysed seven failed energy suppliers and found that most were reliant on customer credit balances for their working capital. The May 2022 report, which was commissioned by Ofgem, found that the businesses

relied on receiving customer balances prior to the provision of services. Suppliers used these prepayments to fund the ongoing costs of the business and to act as a buffer against any short-term shocks. They then relied on growth in the customer base to keep ahead of future liabilities, making the strategy unsustainable in the long term during times when growth slows down.<sup>15</sup>

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<sup>12</sup> Ofgem, [Financial Responsibility Principle guidance](#), 22 March 2021

<sup>13</sup> Jonathan Brearley, Ofgem CEO, [Time for suppliers to improve standards for energy consumers](#), 14 April 2022

<sup>14</sup> BEIS Committee, [Energy pricing and the future of the energy market](#), Third report of session 2022-23, HC 236, 19 July 2022, para 17

<sup>15</sup> Oxera, [Review of Ofgem's regulation of the energy supply market](#), 3 May 2022, p58

At three of the suppliers, up to 80-90% of their working capital came from customer credit.<sup>16</sup> For existing suppliers, by contrast, customer credit balances were up to around 35% in September 2021.<sup>17</sup> Citizens Advice found that the suppliers that went out of business in the Autumn and Winter of 2021 held an average surplus credit balance of around £200 per customer.<sup>18</sup>

## Accuracy of direct debit charges

In spring 2022 some consumer groups reported that energy suppliers were substantially increasing their customers' monthly direct debit charges.<sup>19</sup> Ofgem's energy price cap increased by 54% in April 2022 but a survey by MoneySavingExpert (MSE) estimated that 25% of customers whose account was in credit had seen their direct debits double.<sup>20</sup> MSE founder Martin Lewis said in evidence to the BEIS Committee that he was "very concerned" that some companies were unjustifiably raising direct debits "to improve their cashflow situation at the expense of their customers".<sup>21</sup>

In response to these concerns, Ofgem announced a review into the direct debit increases.<sup>22</sup>

Initial findings were published in July 2022.<sup>23</sup> Ofgem identified minor to severe weaknesses in 12 of 16 suppliers that could result in them building up unnecessarily large credit or debit balances. Weaknesses included poorly structured processes for setting direct debits and infrequent reassessments of direct debit levels. It required suppliers to address these deficiencies.<sup>24</sup> While Ofgem did not find evidence of suppliers intentionally setting unjustifiably large direct debits, it instructed them to review the accounts of all customers whose monthly charges had more than doubled. This had happened to around 500,000 households.

Further reports of high direct debit charges were published in the Times in November 2022. The paper noted that direct debits were increasing despite

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<sup>16</sup> Oxera, [Review of Ofgem's regulation of the energy supply market](#), 3 May 2022, p57

<sup>17</sup> Ofgem, [Strengthening Financial Resilience](#), 20 June 2022, fig 2, p15

<sup>18</sup> Citizens Advice, [Market meltdown: How regulatory failures landed us with a multi-billion pound bill](#), December 2021, p3

<sup>19</sup> Which?, [Explained: why are energy direct debits so high? And what you can do about it](#), 31 March 2022; [Citizens Advice South Hams, Is your energy company taking the proverbial?](#), 25 May 2022

<sup>20</sup> MSE, [30% of British Gas, Octopus & Shell Energy customers say their direct debits have DOUBLED](#), 9 May 2022

<sup>21</sup> BEIS Committee, [Oral evidence: Energy pricing and the future of the energy market](#), HC 1130, 22 March 2022, Q146

<sup>22</sup> Jonathan Brearley, Ofgem CEO, [Time for suppliers to improve standards for energy consumers](#), 14 April 2022

<sup>23</sup> Ofgem, [Ofgem requires improvements from energy suppliers on customer direct debits](#), 13 July 2022

<sup>24</sup> For examples of what suppliers did in response see Ofgem, [Direct Debit Market Compliance Review: Progress Update](#), 2 February 2023

the mild winter and consumers reducing their energy consumption.<sup>25</sup> Secretary of State Grant Shapps subsequently wrote to energy suppliers.<sup>26</sup> He said he was “interested to understand” how suppliers intend to ensure that they are not overcharging for direct debits.

## Difficulty receiving refunds

There have been reports in the press about customers being made to “jump through hoops” to get their credit balance refunded.<sup>27</sup>

As noted above, Ofgem does not require refund requests to be processed within a specific time period except for on closed accounts. It also does not define when it is “fair and reasonable” to refuse requests. Consequently, there is scope for energy suppliers to set their own policies regarding credit balance refunds and practice differs across the industry.

For example, suppliers may have policies that restrict when credit can be withdrawn, such as if they believe it is needed to cover energy bills in the coming months. They may also require customers to submit up-to-date meter readings before processing refunds and require more supporting evidence for large amounts.<sup>28</sup> Some suppliers refund credit automatically at the end of the contract year. EDF and British Gas do this for balances over £150 and £75 respectively.<sup>29</sup>

Ofgem’s direct debit compliance review found that some suppliers did not have a formal credit refund policy.<sup>30</sup>

Separately, Citizens Advice has said that some customers of failed energy suppliers “have experienced long delays in accessing their credit balances — leaving them without extra cash to help with their bills.”<sup>31</sup> It noted that SoLRs can have trouble accessing customer account information and that the records held by the failed supplier may not be accurate.

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<sup>25</sup> Times, [We’re slashing our energy usage, so why are our direct debits still rocketing?](#), 19 November 2022

<sup>26</sup> BEIS, [Letter from Grant Shapps MP to domestic energy suppliers in GB](#), 26 November 2022; BBC News, [Energy firms warned over hiking direct debits](#), 27 November 2022

<sup>27</sup> Times, [‘We are being treated like cash cows’](#), 4 December 2022

<sup>28</sup> For example OVO Energy, [Refund policy](#), accessed 16 February 2023

<sup>29</sup> EDF, [I want a refund of my account credit](#); British Gas, [Refunding your energy credit](#), both accessed 16 February 2023

<sup>30</sup> Ofgem, [Direct Debit Market Compliance Review: Progress Update](#), 2 February 2023

<sup>31</sup> Citizens Advice, [Months on, some customers are still waiting for credit to be transferred from their old supplier](#), 12 April 2022



## 1.4

## Recent proposals for reform

Ofgem has been looking at reforms to better protect customer credit balances since 2018. As noted by the BEIS Committee, this is a “complex issue” that has seen “a slew of consultations” and “U-turns in policy.”<sup>32</sup> This section summarises Ofgem’s recent proposals.

## Automatic refunds and credit balance limits

Ofgem opened a [consultation on reducing credit balance mutualisation](#) in March 2021.<sup>33</sup> This was described in the [accompanying press release](#) as seeking views on “proposals to limit the amount of customer credit balances suppliers can hold”. Ofgem summarised the consultation as follows:

As part of the Supplier Licensing Review, we are consulting on proposals for prescriptive rules to reduce the scale of credit balances at risk of mutualisation in the event of supplier failure.

Credit balances primarily arise from fixed direct debit payment model, which can deliver significant consumer benefits, particularly in smoothing energy costs across the year. However, some suppliers may currently collect more credit than required to service their customers. We have defined these as surplus credit balances. Our proposals target these surplus balances, reducing the amount at risk of mutualisation, while allowing suppliers to continue to collect credit balances where these are required to help smooth customer payments evenly throughout the year.

The consultation proposed two interventions to address surplus credit balances:

- An auto-refund policy requiring suppliers to refund balances above £0 at the end of each contract year’
- A threshold policy limiting the amount of credit suppliers are permitted to hold and strengthening rules on setting accurate direct debits.

Ofgem decided against proceeding with the main parts of these proposals:

Many of the respondents to the consultation expressed the view that the proposals would not appropriately deliver our objectives and that the introduction of the auto refund policy would not be in the interests of consumers. Some stakeholders suggested that our model for the threshold policy was too simplistic to be completely effective. There were also concerns that the costs may outweigh the benefits of the proposal. Suppliers expressed concerns that the cost of protection mechanisms may pose a barrier to market entry, and potentially force some suppliers to leave the market,

<sup>32</sup> BEIS Committee, [Energy pricing and the future of the energy market](#), Third report of session 2022-23, HC 236, 19 July 2022, para 107

<sup>33</sup> Ofgem, [Supplier Licensing Review: reducing credit balance mutualisation](#), 17 March 2021

thereby reducing market choices available for consumers. There were also concerns the proposals would have a disproportionate effect on smaller suppliers.<sup>34</sup>

Ofgem did say it would proceed with its proposal to strengthen fixed direct debit rules.<sup>35</sup> Licence conditions were changed in August 2022 so that suppliers now have an absolute requirement to set direct debits using the best available information, as described in section 1.2 above. This replaced the previous qualified obligation to “take all reasonable steps” to do so.

## Ringfencing credit balances

Two alternative approaches to protecting customer credit balances were proposed by Ofgem in a June 2022 [consultation on strengthening financial resilience](#):

- Approach 1: ringfencing. Suppliers would be required to “insure or otherwise protect” a certain amount of the credit balances they hold. This would be calculated by adding up each customer’s credit balance minus their unbilled energy consumption.
- Approach 2: client account. Suppliers would be required to collect payments from customers into an account held in the customer’s name. Money would then be transferred to the supplier to pay for actual energy consumption.<sup>36</sup>

Ofgem said that it preferred the ring-fencing approach as administering and monitoring a client account system would be complex and costly.<sup>37</sup>

Some in the industry criticised the idea of ringfencing credit balances. Challenger suppliers including Octopus Energy and OVO said that smaller suppliers in particular needed the capital provided by credit balances to finance debit balances and respond to short-term market shocks.<sup>38</sup> Octopus argued that if suppliers were required to raise equivalent capital commercially it would add £15-30 to customers’ annual bills. By comparison, it said, the cost of honouring credit balances held by failed suppliers through the SoLR procedure is estimated at £7.40 per year.<sup>39</sup>

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<sup>34</sup> Ofgem, [Strengthening Financial Resilience](#), 20 June 2022, para 1.25

<sup>35</sup> Ofgem, [Decision on statutory consultation on strengthening fixed direct debit rules](#), 26 August 2022

<sup>36</sup> Ofgem, [Strengthening Financial Resilience](#), 20 June 2022, chapter 2

<sup>37</sup> Ofgem, [Strengthening Financial Resilience](#), 20 June 2022, para 2.18

<sup>38</sup> BEIS Committee, [Energy pricing and the future of the energy market](#), Third report of session 2022-23, HC 236, 19 July 2022, paras 109-116

<sup>39</sup> Octopus Energy, Written submission to the BEIS Committee, Energy pricing and the future of the energy market, [EPM0042](#), 5 July 2022

Energy consultancy Cornwall Insight also calculated that the cost to consumers of ringfencing credit balances would be disproportionate to the benefits.<sup>40</sup>

Others such as Centrica and E.ON were more supportive. Michael Lewis, CEO of E.ON, argued in evidence to the BEIS Committee that companies should be resilient enough to raise their own capital and not rely on “gambling with customers’ money”.<sup>41</sup>

In a [follow-up consultation](#) published in November 2022 Ofgem announced that it would not impose a market-wide obligation to ringfence credit balances.<sup>42</sup> It argued that its work to strengthen existing requirements – namely direct debit accuracy and financial responsibility rules – should reduce the “excessive accrual” of customer credit balances. However, it did propose a new power to direct individual suppliers to ringfence their customer credit balances if they are not meeting financial resilience standards.<sup>43</sup>

Citizens Advice said that the rules would have to be properly enforced to avoid a “return to a world where customer credit balances can be misused to fund risky business models.”<sup>44</sup>

Centrica CEO Chris O’Shea called the decision an “an abdication of responsibility by a regulator not focusing on the right things.” He said that customers would be “appalled” to know that their money was being used to fund day-to-day business activities.<sup>45</sup>

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<sup>40</sup> CityAM, [Ringfencing risks driving up energy bills, warns Cornwall Insight](#), 30 July 2022

<sup>41</sup> BEIS Committee, [Oral evidence: Energy pricing and the future of the energy market](#), HC 1130, 19 April 2022, Q253

<sup>42</sup> Ofgem, [Strengthening financial resilience](#), 25 November 2022, para 4.65

<sup>43</sup> Ofgem, [Strengthening financial resilience](#), 25 November 2022, para 2.42-2.46

<sup>44</sup> Citizens Advice, [Citizens Advice responds to latest Ofgem reforms](#), 25 November 2022

<sup>45</sup> CityAM, [Ofgem stops short of ringfencing requirements for customer balances](#), 25 November 2022

## 2

# Parliamentary Questions

### Energy: Billing

**Asked by: Benn, Hilary**

To ask the Secretary of State for Energy Security and Net Zero, if he will take steps to prevent energy companies from building up large amounts of credit in customer accounts as a result of direct debits.

**Answering member: Graham Stuart | Department: Department for Energy Security and Net Zero**

According to Ofgem guidance, suppliers should review credit balances every six months to avoid an excessive build-up of credit. Ofgem have conducted a series of Market Compliance Reviews, including on direct debit processes and performance, and has identified areas where suppliers need to improve.

Customers can ask their supplier to refund a credit balance at any time.

**Suppliers must do so promptly unless they have reasonable grounds not to.**

**HC Deb 09 February 2023 | PQ 137733**

### Energy: Billing

**Asked by: Maskell, Rachael**

To ask the Secretary of State for Business, Energy and Industrial Strategy, if he will take steps to encourage energy providers to reduce direct debit payments from customers with accounts in credit.

**Answering member: Graham Stuart | Department: Department for Business, Energy and Industrial Strategy**

My Rt. Hon. Friend the Secretary of State wrote to energy companies on 26 November asking them to make their systems more responsive so that direct debits better reflect the amount of energy used. It is also an area of focus for Ofgem's Market Compliance Reviews where Ofgem have taken steps to ensure credit balances are kept at an appropriate level and that direct debits are not set too high. The latest review can be found here

<https://www.ofgem.gov.uk/publications/ofgem-launches-new-proposals-strengthen-energy-market-and-protect-consumers>.

**HC Deb 18 January 2023 | PQ 120002**

Energy: Billing

**Asked by: Hendry, Drew**

To ask the Secretary of State for Business, Energy and Industrial Strategy, whether his Department has made an assessment of energy company compliance in instances when customers ask for a positive account balance to be refunded.

To ask the Secretary of State for Business, Energy and Industrial Strategy, whether his Department has (a) made an assessment of and (b) holds any data on the length of time it takes for customers requesting that an energy company repay a positive account balance for that balance to be repaid.

**Answering member: Graham Stuart | Department: Department for Business, Energy and Industrial Strategy**

Regulatory compliance is a matter for Ofgem. The Department does not hold data on this issue.

Under existing rules set by Ofgem, suppliers must automatically refund outstanding credit balances within 10 days of issuing a final bill. Suppliers must also refund accumulated credit on request by an existing customer in a timely manner unless they have reasonable grounds not to. They must explain the reason to the customer.

**HC Deb 16 January 2023 | PQ 120100; PQ 120101**

Energy: Billing

**Asked by: Maskell, Rachael**

To ask the Secretary of State for Business, Energy and Industrial Strategy, what steps he is taking to help ensure energy companies notify customers before increasing direct debit payments.

**Answering member: Graham Stuart | Department: Department for Business, Energy and Industrial Strategy**

My Rt. Hon. Friend the Secretary of State wrote to energy companies on 26 November asking them to make their systems more responsive so that direct debits better reflect the amount of energy being used. It is also an area of focus for Ofgem's Market Compliance Reviews where Ofgem have taken steps to ensure credit balances are kept at an appropriate level and that direct debits are not set too high. The latest review can be found here:

<https://www.ofgem.gov.uk/publications/ofgem-launches-new-proposals-strengthen-energy-market-and-protect-consumers>.

**HC Deb 16 January 2023 | PQ 119999**

Energy: Billing

**Asked by: Whitehead, Dr Alan**

To ask the Secretary of State for Business, Energy and Industrial Strategy, if his Department will make an assessment of the potential merits of requiring energy companies to ringfence the credit balances of their customers to ensure that those balances are not lost in the event of an insolvency.

**Answering member: Graham Stuart | Department: Department for Business, Energy and Industrial Strategy**

Ofgem, as the independent regulator of Great Britain gas and electricity markets examines ways to mitigate the impact of energy supplier insolvencies on consumers.

In June 2022, Ofgem published a consultation on options for protecting customer credit balances including ringfencing a proportion of credit balances, with the intention of a statutory consultation to follow.

**HC Deb 08 November 2022 | PQ 78623**

Energy Supply

**Asked by: Whitehead, Dr Alan**

To ask the Secretary of State for Business, Energy and Industrial Strategy, what steps his Department is taking to ensure that administrators of failed energy companies pay back debts to customers in the form of account credit balances before paying the secured creditors of energy suppliers that fail in future.

**Answering member: Greg Hands | Department: Department for Business, Energy and Industrial Strategy**

Under the Supplier of Last Resort process domestic consumers have their balances honoured when they transfer to a new supplier.

BEIS is working with Ofgem to understand how certain assets in an insolvency could be protected, and therefore to reduce the costs that eventually fall on customers when a supplier exits the market.

**HC Deb 16 June 2022 | PQ 16808**

## 3

### News items

Times

30 January 2023

[I'm in credit with my energy supplier — what should I do?](#)

Times

4 December 2022

['We are being treated like cash cows'](#)

Energy Live News

28 November 2022

[Energy suppliers 'sitting on a hoard of £4.5bn in customer credit'](#)

Guardian

25 November 2022

[Ofgem unveils new energy rules but 'fails to protect' customer deposits](#)

Times

15 November 2022

[Is my energy supplier allowed to increase my direct debit payments?](#)

Guardian

20 July 2022

[Ofgem announces measures aimed at protecting money of energy customers](#)

Guardian

21 July 2022

[Energy suppliers row over how to protect customers' overpaid credit](#)

BBC News Online

13 July 2022

[Energy suppliers told to review soaring direct debits](#)

Current+ News

21 June 2022

[Ofgem moves to stop customer balances being used as 'interest free company credit cards'](#)



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