



3rd Floor North
200 Aldersgate Street
London EC1A 4HD
Tel: 03000 231 231

citizensadvice.org.uk

19 February 2018

Dear Phil,

Open letter on Utilities ADR's application for certification as an alternative dispute resolution provider

This submission was prepared by Citizens Advice. Citizens Advice has statutory responsibilities to represent the interests of energy consumers in Great Britain. This document is entirely non-confidential and may be published on your website. If you would like to discuss any matter raised in more detail please do not hesitate to get in contact.

We are strongly supportive of alternative dispute resolution (ADR) schemes as a way for consumers to get resolutions to complaints simply and easily. For many consumers they are the only accessible recourse available to resolve complaints, although consumers in vulnerable circumstances can also get help from the Extra Help Unit (EHU). In 2016 we set out that advice and redress in the energy sector should¹:

- be easier to navigate, so consumers are not 'stranded' without support, and get the right support, advice or redress action that they need, first time;
- improve customer experience, so companies can learn the lessons from queries and complaints to improve the way they work and reduce complaints;
- be transparent and accountable, so Ofgem and government know how and where money is being spent to support consumers; and
- be fit for the future, so advice and redress schemes are prepared and able to support consumers in more complex future energy markets.

We do not support the entry of a new ADR provider in the energy sector as we do not think this will help achieve these aims.

¹<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/knowning-who-can-help/>

Our research has shown that some of the major barriers consumers face when complaining are that they don't know how to complain and that the process is too complex. Awareness of ADR schemes is also poor, and their role is not well understood by consumers.² We are concerned that adding a second ADR scheme in energy will worsen these barriers to consumers, as having multiple redress schemes in a single sector is likely to lead to consumers being more confused about their rights and who to complain to.³

Data from Ipsos Mori and Resolver show that compared with other sectors, energy complaints take longer to resolve and require more effort from consumers.⁴ Adding an additional ADR provider could add further complexity and time to the consumer journey, especially if a consumer complains first to Utilities ADR and then later to Ombudsman Services: Energy (OSE).

The two main benefits argued in favour of allowing multiple ADR schemes are that they would add choice for consumer and introduce competition to this area of the energy sector.

We are not aware of any evidence that consumers value more choice in selecting an ADR provider as part of an ideal complaints process. In any case, if Utilities ADR's application is approved then this choice would be limited only to customers of suppliers that decide to use their services. It is not clear why a supplier would be incentivised to use a second ADR provider based on the standards of service offered to consumers. In contrast, it seems likely they would do so based on the costs of the service compared to OSE, both in terms of case fees but also the size and number of awards made by the service in favour of consumers. Competition of this nature could act to drive down standards of service for consumers.

We have previously set out our view that competition in ADR services can be achieved in other ways which are more beneficial for consumers. This could include periodically re-tendering the CEARA-approved Ombudsman, and introducing greater regulatory oversight (as with all other monopoly providers in energy) to ensure they are delivering high levels of service and value for money.⁵

²[https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Understanding%20consumer%20experiences%20of%20complaint%20handling_DJS%20report%20final_June2016%20\(2\)%20\(1\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Understanding%20consumer%20experiences%20of%20complaint%20handling_DJS%20report%20final_June2016%20(2)%20(1).pdf)

³<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Confusinggapsandoverlaps-Original1.docx.pdf>

⁴ Data presented at the MRS Utilities Research Conference, 21st September 2017

⁵<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Confusinggapsandoverlaps-Original1.docx.pdf>

Finally, we agree with Ofgem that sharing data on customer service is vital to have good visibility of issues in the industry. We already share such data with Ofgem and OSE through our tripartite process. There is a risk that the entry of a new ADR provider could create a more disjointed data landscape, making it harder to spot issues.

We are aware that for some consumers with bundled contracts there may already be a requirement for some consumers to contact different ADR providers to deal with a complaint about a single supplier. This is an emerging issue, and we have limited evidence on the consumer experience of these processes. However, our research on what consumers want from ADR processes would suggest that consumers would be best served by creating systems which enable their complaint to be dealt with through a single touch point, even if there are different ADR providers actually dealing with their case.

Adding a second certified ADR provider would not resolve the difficulties of dealing with bundled contracts, as consumers will still have recourse to OSE for the energy supply part of their contract. Ofgem should consider these issues as part of its work on the Supplier Hub model.⁶

We support further work to improve the existing complaints process for consumers as a priority, in order to achieve the four aims set out above. Too many consumers are confused by the existing framework, which can lead to longer and less satisfactory experiences. For example, too many consumers contact the Ombudsman before their complaint is within OSE's terms of reference, and miss out on the independent advice and support of the consumer service or the chance to be referred to the EHU.

Energy UK is currently planning a working group to consider how the complaints journey can be made simpler and easier for consumers. We plan to play a full role in this group. As set out in our response to Ofgem's Forward Work Programme⁷, we recommend that Ofgem or BEIS should chair this group, as it may make recommendations that require changes to licences or statutory instruments including the complaints handling standards.

⁶<https://www.ofgem.gov.uk/publications-and-updates/ofgem-seeks-views-reforms-supplier-hub-market-arrangements>

⁷<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-consultation-responses/citizens-advice-response-to-ofgems-consultation-on-the-draft-forward-work-plan-2018-19/>

If you would like to discuss any aspect of this response further please let me know.

Yours Sincerely,

Alex Belsham-Harris

Senior Policy Researcher

Patron HRH The Princess Royal

Chief Executive Gillian Guy

Citizens Advice is an operating name of the National Association of Citizens Advice Bureaux

Charity registration number 279057 VAT number 726 0202 76 Company limited by guarantee Registered number 1436945 England

Registered office: 3rd Floor North, 200 Aldersgate Street, London EC1A 4HD