

P-06-1326 The Senedd should scrutinise the prepayment meter scandal in Wales, Correspondence – Centrica to Chair, 04.05.23

Dear Mr Sargeant,

Given my upcoming participation at a session of the Petitions Committee on 15 May on prepayment meters, I wanted to share the findings from our internal investigation into the conduct of British Gas' warrant activity. A copy of the report is available [here](#) - but I also wanted to highlight the key findings and actions that we are taking to improve our approach and protect our customers.

By way of background, our investigation, overseen by independent regulatory compliance consultancy, Promontory Financial Services, looked at the facts of the individual cases that were raised with us, as well as examining the systems and controls our third-party contractor Arvato had in place and finally, the inquiry looked at Centrica's own governance and oversight processes in relation to the management of Arvato.

The investigation concluded that there were no systemic issues in the way we handled the fitting of prepayment meters under warrant, but it did find evidence that in a small number of cases, we have got things wrong. Today we are taking immediate action to address the issues that the report has identified, indeed we've already started making the changes. The details of the hundreds of difficult cases we have reviewed as part of this process has also reinforced the need for a broader debate on the underlying issue of affordability. This is critical, as the struggle millions of consumers face to pay bills is not going away anytime soon.

Investigation findings

- As well as reviewing the cases reported in the media, we have reviewed a statistically robust sample of 321 cases:
 - Of these 321 cases, the investigation found two customer cases where the investigation team considered that a PPM was not appropriate because of the personal circumstances of the customers.
 - The investigation team found 13 cases where the Arvato warrant officer proceeded with a PPM installation without sufficiently recording how previously known vulnerability considerations had been considered contrary to our policies and procedures. British Gas is currently looking into these cases to determine whether new facts emerge that would point to a change in payment type.
 - The investigation found a further 13 cases where there was insufficient data available for the investigation team to conclude whether the PPM installation had been carried out in line with our policies and procedures
 - The remaining cases were found to be compliant with the obligation to ensure that installations were safe and reasonably practicable for the customer.
- In those cases where the investigation team considered that a PPM was not appropriate, we have contacted the customer and have offered compensation and to change the meter.
- The report identified a number of opportunities and areas for future improvement in systems and controls, including:
 - More integrated governance arrangements; incorporation of complaints data into the review of PPM installations; insufficient detail captured in the records of customer interactions in a limited number of cases; and areas for improvement in the calibration session involving both British Gas and Arvato.

- The report also found that remuneration and incentives did not seek to attach greater weight to the volume of installations of PPMs, and quality assurance checks were frequent and extensive.

Actions

On the back of these findings British Gas has committed to the following actions and support for customers:

- We have decided that British Gas will permanently cease all warrant-related work with third party contractors such as Arvato given the complexity and sensitivity of the activity in question; as and when PPM warrant installations resume, this work will now be carried out in-house. This will give British Gas more direct oversight of the process. Agents will also benefit from training at British Gas' award-winning academies, creating a highly skilled workforce that will work across this sensitive issue.
- Introduce parity between the cost of energy for PPM customers and the cost of energy for direct debit customers, earlier than mandated (from 1 April).
- Continue to support customers with a £10 million fund to directly support PPM customers who are in debt by providing a non-repayable credit up to £250. This fund has already helped over 50,000 PPM customers this winter.
- Commitment to Ofgem's voluntary Code of Practice on involuntary PPM installations.
- In addition to these commitments, we will work with others in the sector, and beyond, to push for better data sharing in relation to customers who are either physically or financially vulnerable on an industry-wide basis, drawn from sources such as the Department of Work and Pensions and HM Revenue and Customs, as well as third sector organisations. We would be grateful for your support for such a data sharing initiative.

Tackling energy affordability

While we must take action to get things right and ensure vulnerable customers receive support, our own investigation has reinforced that changes to prepayment meter processes alone will not address the underlying problems around affordability for many customers. We believe it is also vital to look at the wider issue of long-term affordability of energy. The UK Government has confirmed they are looking carefully at long term energy support, including potentially a social tariff, from April 2024. This is welcome news for those on the lowest incomes but there are some tough policy choices about how this is paid for.

I look forward to joining the upcoming session of the Petitions Committee on 15 May.

Best wishes,

Chris O'Shea
Group Chief Executive