

Facilitating Overindebted Consumers to Move to a Lower Tariff

MABS Submission to CER

On

Debt Blocking

September 2009

Introduction:

The Money Advice and Budgeting Service is a free, confidential and independent service for people in debt or in danger of getting into debt. It has over sixty offices nationwide and operates a website www.mabs.ie and a national helpline. The service is funded and supported by the Citizens' Information Board.

While this consultation paper is addressing debt blocking in the commercial sector we welcome the opportunity to contribute as our primary focus is on the vulnerable consumer and the protection of their access to basic goods and services. We recognise that there is no intention at present to introduce debt blocking for domestic customers however this might change and consequently the issues raised in the consultation document could have implications for overindebted consumers. It also provides an opportunity to discuss access to the lowest energy tariff available for those most in need of it.

In the first half of 2009 the numbers approaching MABS with utility debts have risen to 4031 from 3643 in corresponding period of 2008. This increase is indicative of the pressures people are under to maintain their commitments to creditors and service suppliers on a reduced income and the importance from a domestic budgeting perspective to avail of the lowest tariff possible.

We appreciate the difficulty being experienced by energy utility companies arising from the switching of suppliers while customers have outstanding bills. While the request for debt blocking may be appropriate in the context of business customers, we are of the

view that it is and will remain inappropriate for domestic consumers. Domestic customers in debt should have the choice and be encouraged to move to cheaper suppliers so improving their indebted situation.

In our view the preferred route to addressing the problem is contained in Proposal 2 of your consultation document which advocates the development of new procedures to control debt levels along with initiating action as early as possible when a customer is getting into debt as well as being proactive in providing arrangements which will help the customer pay off their debt as soon as possible. Included in those arrangements should be the offering of a reduced or social tariff.

Allowing overindebted domestic consumers to move to cheaper tariffs must be encouraged. It would be instructive to evaluate how many domestic customers with bill arrears have taken the prudent path of shopping around for cheaper tariffs. In our view any arrangement that is put in place to address the concerns of the suppliers must also facilitate the overindebted consumer in accessing the cheapest tariff available.