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CONSUMERS IN DEBT TO ENERGY SUPPLIERS BY £624 MILLION

- **Cold winters and high cost of energy take their toll with nearly 5 million households (19%) in debt to energy suppliers^[1]**
- **In the red: collectively consumers now owe an estimated £624 million to energy suppliers^[1]**
- **Average debt is now £126^[1] – 4.5% lower than last year (£132) but 10.5% higher than 2008 (£114)^[2] despite suppliers cutting their prices over the last two years**
- **Under pressure: almost four in ten of those in debt (38%) say they owe more now than they did a year ago^[3]**
- **Britain's big six energy suppliers have now hiked their prices by an average of 5.9% or £63, taking the typical household energy bill to £1,132 a year - 38% or £313 higher than in 2008^[4]. As a result, energy debt looks set to start climbing again warns uSwitch.com.**

Almost 5 million UK households (19%) are in debt to their energy suppliers^[1], according to new research from uSwitch.com, the independent price comparison and switching service. The study shows that consumers now owe £126 on average, collectively racking up an estimated £624 million of debt to energy suppliers^[1].

After two years of price cuts, the average amount owed to suppliers has fallen by 4.5% from last year (£132) to £126 today. But this is still 10.5% higher than in 2008 when the average debt was just £114^[2]. Worryingly, now that suppliers have increased their prices again by an average of 5.9% or £63, taking the typical household energy bill to £1,132 a year^[4], energy debt is likely to rise again. The fact that bills today are 38% or £313 higher than in 2008^[4], makes this even more certain.

Even though households benefitted from price cuts in 2009 and 2010, nearly four in ten (38%) say they're more in debt today compared to last year – just 14% say they owe less than last year^[3].

Nearly a quarter of households in debt or arrears (23%) intend to pay it off by lump sum, while over four in ten (42%) plan to increase their direct debit. However, nearly a quarter (22%) won't be doing anything about their debt, hoping it will go down naturally over time^[5].

For some, concern over their debt is getting too much, with one in ten (10%) considering agreeing a repayment plan with their supplier, a 2% increase on last year. However, there is some good news – just 2% of those in debt to suppliers are thinking of moving onto a prepayment meter (PPM), 3% less than last year^[5]. This drop is welcome as PPMs are a more expensive way of paying for energy than direct debit.

Ann Robinson, Director of Consumer Policy at uSwitch.com, says: “Despite two years of price cuts almost two in ten households are in debt to energy suppliers – and now prices are going back up again. This is a real concern. The fact is that consumers were knocked for six by the 41% or £334 increase in energy prices in 2008^[4] and have been struggling to find their feet ever since. With prices now increasing by an average of 5.9% or £63^[4], that struggle is about to become a lot harder.

“Energy debt can be a catch-22. Despite knowing they could reduce their bills by moving to a cheaper energy plan, consumers can see debt as a barrier to switching. However, our research shows that while the average debt is £126, consumers could save up to £458 by switching^[6]. So while they may have to pay any outstanding debt to switch, by cutting the cost of their energy they could avoid falling back in to debt in the future.

“With households typically paying £1,132 a year for their energy^[4], debt is symptomatic of the high cost of energy today. Households will have to adapt if they are to protect themselves and there are two key steps to this - make sure you are paying the lowest possible price for your energy and cut down on the amount of energy you use. Paying energy bills by direct debit will help reduce bills as suppliers offer valuable discounts for paying this way. Consumers should also make sure that they or their supplier are taking regular meter readings as relying on estimated bills can be a shortcut to debt. Anyone who is concerned about managing their energy bills should contact their supplier to discuss the options.”

Consumers can find [advice and factsheets about energy debt](http://www.uswitch.com/gas-electricity/energy-debt) at uSwitch.com:
(<http://www.uswitch.com/gas-electricity/energy-debt/>).

For more information visit www.uswitch.com or call 0800 093 06 07

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Notes to editors

Research referred to in the notes below was conducted online by YouGov Plc on behalf of uSwitch.com. Fieldwork took place from 21 – 24 January 2011 among 2,022 people with decision making involvement with energy suppliers. Data is weighted.

1. According to the research, 7% of respondents were in debt/arrears by up to £50, 4% between £51 and £100, 4% between £101 and £200, 2% between £201 and £300, 1% between £301 to £500 and 1% more than £500. This has been taken as 19% of households in debt which, on the basis of 26 million households, equals 4.94 million households or energy customers. The average amount owed is £126.34, which is a total of £624 million across the 4.9 million households in debt.
2. According to research conducted by YouGov Plc on behalf of uSwitch.com between 18th and 22nd February, 2010 and 20th – 25th March, 2008. The mean amount owed last year was £132.33, which is 4.5% higher than this year. The mean amount owed in 2008 was £113.58.
3. All respondents who were in debt/arrears on their last energy bill were asked to compare their debt/arrears to a year ago - 38% reported that their debt is now higher. 14% report that it is lower.
4. According to uSwitch.com - based on a medium user customer using 3,300 kWh of electricity and 16,500 kWh of gas, on a standard Dual Fuel plan, paying on receipt of bill with bill sizes averaged across all six suppliers and all regions.
5. In response to: 'Thinking about the amount you are in debt/arrears with your energy supplier, how are you going to pay it off?' For details of last year's research see point 2 above in these notes.
6. Between 1st July 2010 and 31st December 2010, at least 10% of people who switched energy supplier with uSwitch.com saved £458 or more.

About us

uSwitch.com is a free, impartial, online and telephone-based comparison and switching service, helping consumers compare prices on gas, electricity, water, heating cover, home telephone, broadband, digital television, mobile phones and personal finance products including mortgages, credit cards, current accounts and insurance. In 2010 uSwitch.com celebrated ten years of saving customers money.

The service is also available via fax and post. Consumers should fax 020 7233 5933 or write to Customer Services, uSwitch.com, Centro 3, 19 Mandela Street, London, NW1 0DU with their postcode and usage details.

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