FAIR BY DESIGN
Ending the extra costs of being poor

Debt Relief Scheme: Statutory Consultation

15th December 2025

About Fair By Design

Fair By Design is dedicated to reshaping essential services such as energy, credit, insurance and payments so that they don't cost more if you're on a low-income – also known as the poverty premium. Fair By Design collaborates with regulators, government and industry to design out the poverty premium. Fair By Design is managed by the Barrow Cadbury Trust on behalf of a group of foundations.

In the context of the energy market, we believe that households on low incomes/living in poverty should not incur a poverty premium based on not being an "active" consumer or due to the way they pay for their energy.

Please note that we consent to public disclosure of this response.

For more information about this response please contact Maria Booker:
m.booker@barrowcadbury.org.uk

Background

This is a statutory consultation on the proposed draft license conditions for gas and electricity supply licenses, distribution licenses and gas transportation licenses, needed to bring into force a debt relief scheme. The debt relief scheme is a one-off scheme intended to write off debt acquired during the energy crisis (April 2022 to March 2024) for those who are unable to pay it off. Ofgem first consulted on a debt relief scheme in December 2024 and issued working papers in May and August 2025.

This statutory consultation covers Phase 1 (open only to those on means-tested benefits). There will be a further statutory consultation on Phase 2, which will involve enhanced income and expenditure assessments, in 2026.

Response

Our response to the consultation issued in December 2024 can be found here.

Overall, we strongly support the introduction of a debt relief scheme as part of Ofgem's wider debt strategy. Levels of debt are historically high (£4.4bn) and are continuing to rise. 60% of this debt is held by consumers in the bottom 30% of the income distribution, making this a necessary intervention to support low-income households.

Whilst we warmly welcome this scheme, we remain concerned that debt levels could rise again after implementation, given the lack of long-term, sustainable action to tackle energy bill affordability. Recent measures, such as the expansion of the Warm Home Discount and the Budget's energy bill reductions, are positive steps but fall short of closing the current fuel poverty gap of approximately £400 per year. We acknowledge that targeted bill support lies outside Ofgem's remit and the scope of this consultation. Nevertheless, this scheme represents an important step forward—not only in providing financial relief to low-income households but also in rebuilding trust between consumers and energy suppliers.

We welcome the approach to customer engagement, particularly that customers will be deemed to be engaged if they have made a payment in the most recent billing period, and that pre-payment meter consumers will automatically be deemed to be engaged given that they made a payment when they last used energy. We are also very pleased that 100% of debt will be written off for those that have £100 or more outstanding from the period April 2022 to March 2024.

Whilst we argued that there should be no conditionality attached to the scheme, we are reassured that the conditionality imposed is at the lower end of what has been discussed over the past year. If a customer has not made a payment in the most recent billing period, they will have the choice of one of the following options:

1) Agree to pursue a repayment plan with their supplier.
2) Agree to pay their energy bills using the Fuel Direct Scheme.
3) Agree to a warm referral to a debt advice charity.

The fact that no minimum payment amount for repayment plans has been set, and that consumers have a choice of the three routes above, should help to prevent unaffordable repayment plans.

We believe warm referrals should provide customers with contact details for services tailored to their circumstances, in line with best practice (as outlined in Money Advice Trust's response). While direct transfers or appointment booking are not feasible without dedicated funding, we encourage Ofgem to provide clarity to suppliers on how to make referrals as meaningful as possible.

We welcome Ofgem's decision to remove smart meter discussions from the list of engagement options. While suppliers may highlight benefits, removing this option ensures the scheme is not perceived as a vehicle for promoting smart meter take up amongst reluctant customers.

We are also glad to see that people who are not eligible at the outset of the scheme will have the opportunity to join later.

Finally, we agree with Ofgem's conclusion that the scheme should be delivered by suppliers with Ofgem oversight in order to expedite the delivery of the scheme, with costs recovered via network charges.

We look forward to the implementation of Phase 1 and to rapid progress with Phase 2 of the scheme.