



The UK Poverty Rip-Off

The poverty premium 2010

Executive summary

It is a shocking fact that families on a low income are still paying more for their basic goods and services than better-off families. Save the Children has calculated that this annual 'poverty premium' can amount to more than £1,280 for a typical low-income family. Moreover, the poverty premium has risen by over £280 since Save the Children's original research was conducted in 2007.

This report sets out the scale of the poverty premium and focuses particularly on the extra cost of gas and electricity bills, which account for 20% of the premium (Northern Ireland's energy market and regulatory framework is different from that found in the rest of the UK; a separate briefing paper on Northern Ireland is available). Of all the elements of the poverty premium, the cost of gas and electricity to keep a home warm is an expense that no family can avoid: adequate heating is a basic requirement to ensure children's health and wellbeing is protected. There is a clear link between living in cold, damp conditions for long periods and significant health risks.¹ Families who cannot afford to pay the cost of heating their home adequately could therefore

be putting their children's health at risk. All children have the right to the best health possible,² yet the evidence in this report shows how families on a low income struggle to pay for their gas and electricity and frequently compromise the warmth of their homes to reduce their bills. Of those who are fuel poor,³ 16.1% are families with children aged under 16, up from 11.8% in 2003.⁴ These fuel-poor families are not eligible for the social tariff (equal to the lowest tariff) of five out of the six major energy suppliers and may not be eligible for the government's proposed Warm Home Discount.

The highest charges for gas and electricity are paid by those families who have a prepayment meter or who pay by standard credit. Prepayment meters are often installed for families on a low income who want to budget weekly or have been in debt.⁵ If families on a low income who pay the highest tariffs for gas and electricity were charged the same amount as families who pay by direct debit, they would save, on average, over £250 a year. Save the Children is calling for all industries to ensure that the poorest do not pay more.



Low-income families shouldn't be penalised for being poor. To ensure a fairer system for all vulnerable families, we're calling for:

- all energy companies to provide a fixed rebate under the Warm Home Discount for families on a low income with children, using receipt of Child Tax Credit and income below £16,190 as a proxy for fuel poverty. (£16,190 is the first income threshold for entitlement to Child Tax Credit only.)
- the Department for Work and Pensions and the energy suppliers to run a pilot program to assess the feasibility of data-sharing to allow direct payment of rebates to low-income families
- all energy companies to raise awareness of their rebate by promoting it to all customers
- all energy companies to provide adequate and prior notification of price increases to prepayment meter customers.

The cost of living for low-income families

Rising costs for low-income families come at a time when the government has committed to reducing the fiscal deficit by cutting the welfare budget and public services. Families on low incomes are disproportionately reliant on welfare and public services, and consequently cuts in both areas of government spending will have serious impacts on the poorest.⁶ This new financial austerity comes on top of existing difficulties that low-income families have to overcome to make ends meet. It is mainly those on low incomes who tend to be unable to access favourable payment terms, whether for household or personal items they need to buy, fuel they need to purchase or loans they need to secure.

For many families on low incomes, the amount they either earn (from low-paid work) or receive in benefits is not enough to cover their basic living costs. A couple with two children and both working full-time needs £29,731 a year, or £402.83 per week (excluding money for rent and childcare), to afford a basic but acceptable standard of living. The same

family on benefits will only receive £235.29 per week, which is 62% of the amount they need.⁷ Church Action on Poverty's recent research report has provided further evidence of the difficulties families are having in meeting basic living costs. The report concludes that families on a low income need to borrow to survive.⁸

“It's so hard juggling it all, you need a degree to do it.”

Olivia, mother with four children

Many low-income households choose to manage their budget in cash to ensure they have control over their total spending, which is a rational, safe approach that limits risk and minimises exposure to unexpected costs and outgoings. Many households (690,000 in 2007/8) do not have access to a bank account⁹ or other banking facility that would allow them to pay a range of bills by direct debit, which is often the cheapest payment option for products and

services. Some low-income families have a poor credit history, which means they have no access to affordable, low or no interest credit. The credit that they can access is therefore charged at the highest interest rates in the market.

The poverty premium

The poverty premium is a notional extra cost that people on lower incomes can pay for goods and services, compared with the cost that is paid for the same goods and services by higher-income families. The table below gives an illustration of the additional costs that low-income families may pay for some basic goods and services.

The table updates the costs for the items included in the 2007 poverty premium research, with the exception of mobile phones which have decreased in cost in the intervening three years.¹⁰ In each case we compare the options available to lower-income and higher-income families. For some expenses, such as utility bills, we have calculated an annual cost; for others we have taken a reasonable approach

such as one expensive consumer item and one small loan. Where there is a range of options for lower-income families, we have chosen the cheapest option; in the case of insurance, we have taken an average over a spread of geographical areas.

The cost of credit

Households with a low or variable income often have a poor or non-existent credit history and are therefore unable to access reasonably priced credit from mainstream lenders (banks and building societies). Often the only option available is from commercial lenders (rent-to-buy, catalogues, doorstep lenders) who charge high interest rates on goods with a mark-up on retail prices. The annual percentage rate (APR) charged by commercial lenders can vary from 50–1,000%, compared with less than 30% APR charged by a mainstream lender. A **basic household cooker** can cost a family without access to low-interest credit a total of £669, more than two and a half times the cost of the same cooker bought outright.

An illustration of the Poverty Premium 2010

	Typical costs	Costs to low-income families	Difference
Basic household item: cooker	£239.00	£669.24	£430.24
Loan for £500	£500.00	£750.00	£250.00
Cost to cash 3 x £200 cheques	£0	£36.00	£36.00
Annual electricity and gas bill combined	£881.06	£1,134.23	£253.17
Home contents insurance	£66.72	£98.64	£31.92
Car insurance	£309.82	£597.96	£288.14
Total Poverty Premium			£1,289.47

Costs sourced between September and November 2010.



The cost of borrowing

Low-income families with a poor credit history who need to borrow cash do not have the option of using a 0% bank overdraft facility or securing a low-interest bank or credit card loan. The only options available are high cost, such as doorstep lenders: a **£500 cash loan** from a doorstep lender could cost the borrower **£750**.

The cost of quick money: pawnbrokers, payday lenders and cheque cashing

A household may need to be able to access cash at short notice, but for those without a bank account this could mean using pawnbrokers, payday lenders or buy-back stores. A loan from a pawnbroker of

£100 over six months will cost between 5% and 12% per month (equivalent to an APR of 70% to 100%), making the total cost of the loan between **£170** and **£200**. Households without a bank account who need to **cash a £200 cheque** from a third party quickly will be charged a fixed fee and interest: for example, a **£200** cheque would cost **£12** to cash at Cash Converters.

The cost of insurance

Those on lower incomes often pay more for insurance: insurance premiums are calculated in accordance with the risk of an event, and those on low incomes tend to live in areas where there is a higher risk of car crime and property theft. Families on a low income who live in more deprived areas can pay on average 48% more for **car insurance** and 93% more for **home contents insurance**.

Why do the poorest pay more for fuel?

The cost of gas and electricity

The extra cost of gas and electricity for low-income families accounts for 20% of the poverty premium. This significant additional cost arises because many low-income families pay for their gas and electricity using prepayment meters, which attract one of the highest tariffs. The lowest tariffs are offered by energy suppliers to customers who can either pay by direct debit online or who are eligible for the supplier's social tariff.¹¹ Low-income families who do not have a bank account cannot make direct debit payments. In addition, the eligibility criteria for the

social tariffs of five of the 'big six' energy suppliers¹² do not include families with children.

In the last six years gas and electricity bills have more than doubled. It is predicted that these increases will continue and a typical dual-fuel energy bill could increase from around **£1,200 p.a.** (in 2009) to **£1,800** (at 2009 prices) by 2020.¹³ Any across the board percentage increases in the cost of gas or electricity tariffs will have the greatest impact on those paying the highest tariffs – in other words, those using prepayment meters, including many low-income families.¹⁴ It is therefore likely

that the poorest will be hardest hit by increases in energy costs.

Families on a low income with children can be affected by a number of difficulties when it comes to paying their energy bills. In addition to having to use payment methods that incur an expensive tariff and not being eligible for the current option for cheaper fuel under the social tariff, they often:

- accumulate debt because they cannot afford their energy bills
- are less aware of their energy use and how it is charged
- lack access to information that would allow them to identify and secure cheaper energy deals.

Fuel poverty

The consequence of high fuel costs for those on a low income is fuel poverty – defined as being where households have to spend more than 10% of their income on fuel. Ofgem estimates that there are 5 million people in fuel poverty in the UK,¹⁵ representing about 18% of all households.¹⁶ In the UK, 7% of lone-parent households and 9.9% of couples with children live in fuel poverty.¹⁷

No parent wants to put their children's health at risk, but figures for the UK showed that 5% of children were living in accommodation with inadequate heating.¹⁸ Cold living conditions increase children's susceptibility to illness, compromise healthy weight gain and are detrimental to children's respiratory health. A recent study has shown that respiratory problems were more than twice as prevalent in children who lived for three years or longer in homes that lack affordable warmth (15%), compared with children who had never lived in homes that were hard to heat during the previous five years (7%).¹⁹ In addition, it has shown that the mental health of adolescents can also suffer if homes are poorly heated.²⁰ Families who can only afford to heat one room risk reducing their children's education attainment if there is no

warm, peaceful space to do homework. When inadequate heating is improved, research has recorded a marked reduction in the number of days pupils have off school.²¹

The government recognised the link between fuel poverty, inadequately heated homes and poor health and introduced the Fuel Poverty Strategy 2001. The Strategy aims to eradicate fuel poverty by 2016 and: "to ensure that by 2010 no older householder, no family with children, and no householder who is disabled or has a long-term illness need risk ill health due to a cold home" (p.10). It is unlikely that the government will hit its targets, largely because of the unprecedented increases in gas and electricity bills between 2003 and 2009.²² In response to these developments, the government has announced an independent review of the fuel poverty target and definitions.

The introduction of a social tariff was one scheme to tackle fuel poverty. It has been partially successful in reducing the cost of gas and electricity for vulnerable groups but its impact has been focused on pensioner households, leaving other vulnerable groups, including low-income families with children, still paying relatively high fuel costs. As stated above, only one of the major six energy suppliers includes families on a low income with children in their eligibility criteria. So, in effect, a family on a low income that is eligible for a social tariff from one energy supplier could be denied the social tariff of another.

Save the Children has conducted a qualitative research study that asked a group of families who are affected by the poverty premium about their experiences of paying for their gas and electricity.²³ Our research shows that families interviewed were not aware of the existence of social tariffs, had only a limited knowledge of their own tariff or energy costs and no appreciation of the information available to help them secure cheaper energy bills. Without understanding, or access to the best deal, they are left paying more than they need to and vulnerable to fuel poverty.

Warm Home Discount

The government's consultation paper Warm Home Discount proposes that, in England, Scotland and Wales, the social tariff is replaced by a fixed rebate on electricity bills that will be sent directly to a core group of pensioners on pension credit (with the scope of eligibility increasing between 2011 and 2015) using a data-matching system between the energy companies and the Department for Work and Pensions (DWP). The value of the rebate will increase from £130 to £140 by 2015. The consultation paper also proposes that the same fixed rebate should be given to a broad group of consumers who are vulnerable to fuel poverty. Energy companies will be given discretion to decide which of their customers should be included within the broad group.

Under the previous voluntary system, energy companies were given discretion to decide which of their customers would benefit from the social tariff. As already discussed, the outcome was that only one of the largest six energy companies ensured low-income families with children were eligible for their social tariff. The current proposals for Warm Home Discount risk repeating the severe inequity: energy companies could decide not to include low-income families with children within their Broad Group. The result would be that families who struggle to pay their fuel bills will again miss out on financial support that would improve their circumstances.

We are calling for the government to ensure that low-income families with children are included within a group that receives the fixed rebate. This would lower the cost of fuel for these families and thereby reduce their poverty premium. Families with lower fuel bills would be able to heat their homes adequately without fear of going into debt.

We propose that families with an annual income below £16,190²⁴ and in receipt of Child Tax Credit should be eligible for the rebate so that the mistake of leaving children out, made under the social tariff

system, is not repeated. A pilot data-sharing project could be undertaken for families in receipt of Child Tax Credit, in the same way that a pilot project was run to establish the feasibility of data-sharing for pensioners on Pension Credit between the DWP and the energy companies.

Prepayment meters

A prepayment meter is a system that requires cash to be paid before energy can be consumed. Some meters take cards or tokens on to which cash can be credited. The tariffs charged for prepayment meters are more expensive than direct debit or online tariffs. Yet despite the relatively high cost, the majority of families on prepayment meters have an annual income less than £17,500.²⁵ In Great Britain, 13% of households pay for their gas and/or electricity using prepayment meters, with almost two-thirds of these households using prepayment meters to pay for both gas and electricity. More than half of households on prepayment meters receive a means-tested benefit or benefits for disability.²⁶

Ofgem's own investigation found that prepayment meter customers were paying more for their energy than it cost energy companies to supply. To ensure that the tariff for prepayment meters was cost-reflective, Ofgem introduced new licensing conditions for energy suppliers. Since September 2009 the new conditions have required energy suppliers to ensure that the price paid by prepayment meter customers reflects the cost of this form of supply, when compared with direct debit and standard credit tariffs. Ofgem have concluded that the new conditions have led to the average premium for prepayment meters compared with direct debit falling to £69 from £111 since October 2007.²⁷ Nevertheless, our investigation into the cost of the poverty premium based on a real-life example revealed a differential of £253 (see Illustration of the Poverty Premium on page 3 and 'Awareness and consumer choice' on page 7).

The prepayment meter can be an effective debt management system for the energy company because it allows the amount owing (or a portion of it) to be taken from future cash deposits into the meter, before calculating the remaining credit available. In 2007, more than 350,000 pre-payment meters were installed; 63% of these were put in place to recover debt.²⁸

Some families who have tried to change from a prepayment meter to an alternative cheaper payment method have found their plan effectively blocked because the energy companies charge them a deposit of £250. This additional cost would prohibit many low income families from switching. (Further information is included in Annex A.)

The high tariffs associated with prepayment meters result in high fuel bills for low-income families and these in turn can lead to debt. Despite trying to budget for fuel costs, many families find themselves in debt, particularly during the winter. A number of families in our research mentioned that they put double the amount into the prepayment meter in the winter compared with the summer. Families who try to avoid debt describe a range of approaches to minimise their energy use, many of which amount to self-disconnection or self-rationing: these can have a significant negative impact on the health and wellbeing of families.²⁹ Some families have to bear the cost of using the 'emergency' facility. All these issues are considered in more detail in Annexes B,C and D.

In a worst-case scenario, a household may find that it is on a prepayment meter but is not eligible for the social tariff offered by local energy suppliers.

The household may then find itself also paying off arrears from a (previously unknown) price increase, as well as paying back debt accrued from previous bills. In addition, it may be paying the charge to use the 'emergency' facility. The scale of these costs for families on a low income is significant.

Awareness and consumer choice

The current energy market works best for customers who are aware of their energy use and charges and who can navigate the information energy companies provide to minimise their costs. Informed consumers are able to switch between suppliers to get the cheapest deal, and price comparison websites can make this process more straightforward. However, research reveals that lack of awareness stops many families from accessing the best prices.³⁰

This lack of awareness is compounded by a lack of access to information, which is primarily through the Internet. Many low-income families do not have Internet access. Although 70% of households in the UK had access to the Internet by the end of March 2009,³¹ 50% of households with an income below £11,500 did not have Internet access, compared with 5% of households with an income of over £30,000.³² A lack of awareness and lack of access to information restricts consumer choice.

Price comparison websites show that customers who are able to pay by direct debit from a bank account can secure the lowest cost for their energy. The table below shows that this price difference for families who cannot pay by direct debit amounts to an extra £250 a year.

	Typical costs by direct debit	Costs to low-income families	Difference
Annual electricity and gas bill combined	£881.06	£1,134.23	£253.17



Recommendations

The poverty premium for families on a low income has increased significantly since 2007 and the cost of gas and electricity is still a major contributor to this inequity. The introduction of a fixed rebate for low-income families with children would balance the impact of relatively high tariffs for payment by prepayment meter. It would also end any cross-subsidisation for those who pay the least by the poorest who pay the most. The introduction of a fixed rebate for low-income families with children would recognise the rise in fuel poverty among these families and include them within the programme of social price support that is currently focused on the elderly.

Save the Children is calling on all energy suppliers to change their policies to ensure that the poorest do not pay more. We want to reduce energy costs for low-income families and increase their awareness and understanding of what they are paying and how this can be reduced. These changes

will help make a significant impact on the poverty premium poorer families are currently paying.

Low-income families shouldn't be penalised for being poor. To ensure a fairer system for all vulnerable families, we're calling for:

- all energy companies to provide a fixed rebate for families on a low income with children, using receipt of Child Tax Credit and income below £16,190 as a proxy for fuel poverty
- the Department for Work and Pensions and energy suppliers to run a pilot program to assess the feasibility of data-sharing to allow direct payment of rebates to low-income families
- all energy companies to raise awareness of their rebate by promoting it to all customers on higher tariffs
- all energy companies to provide adequate and prior notification of price increases to prepayment meter customers.

What the families say

Annex A: Prepayment meters

Families on a prepayment meter who want to reduce their energy bills could change to an alternative tariff, such as one that allows quarterly billing. However, change will only be sanctioned by energy suppliers if they judge there is no risk of default. Research found that families who had tried to change from a prepayment meter were told they would have to pay a £250 deposit to protect against future debt. One interviewee explained that she spent £100 on both gas and electricity each month. She knows that she is paying £360 a year more for her gas than she would if she could change to a cheaper tariff, but she doesn't have the £250 deposit required by the supplier to change from a prepayment meter.³³

Energy suppliers justify the high tariff charged to those using prepayment methods because it costs more to administer this payment method. Yet Consumer Focus research concluded prepayment meter customers were subsidising cheaper, online, direct debit tariffs. In 2008 energy suppliers were generating more than £540 million each year in extra revenue from prepayment customers than they would if those customers were paying through online direct debit tariffs.³⁴ Ofgem has said that the extra costs for each prepayment meter customers should not exceed £87 per year³⁵ and has introduced new licensing conditions to address the disparity between the tariffs charged and the cost of supply.

In a series of interviews, Save the Children asked a number of low-income families about their fuel bills. Several of them choose to have a prepayment meter because it allows for controllable weekly payments and can help to balance a small budget.

One mother stated:

"I got behind with my gas and found that [prepayment meter] was the easiest for me because I know that I haven't got a big bill coming in and I can just pay on it when I can."

Another mother had decided that, without a prepayment meter and the threat of the electricity or gas going off, she would be tempted to use her available cash to meet her other costs:

"Prepayment meter is better at the minute because I know for a fact that if my lad needed something or we'd no food ... and that money was in the bank, I'd go and use it."

The situation gets more complicated if energy prices increase. Households with a prepayment meter have to have their meter recalibrated when there is an increase in fuel costs. Research has shown that households are often unaware that the cost has increased and that there can be a considerable time delay in recalibrating meters.³⁶ This can leave families suddenly finding out that they are in debt to the energy company and that this amount is being deducted from their cash deposits on a weekly basis. Half of the big six energy companies (E.ON, npower and Scottish Power) still add charges to cover the increased cost of energy use since the price increase; the other half have abolished the practice.³⁷ In these circumstances, typically a household may be repaying off arrears at a rate of £2.50 per week. Ofgem is currently consulting on changes to the regulations for energy providers that will require them to give 30 days' advance notice of price increases, rather than being allowed 65 days after the price increase to notify customers.³⁸



Annex B: Debt and fear of debt

To try to avoid debt, families describe paying cash onto their tokens for the prepayment meter, or onto cards towards quarterly bills, at the same time as they collect their benefits so there is no chance that this money could be used for other bills or expenditure:

“You have to prioritise heating because you have to have the house warm enough for kids.”

Lana, mother of two

Families describe the stress of being in debt and its consequences:

“It [being in debt] plagues you; makes you feel dishonest, like you’re not a good citizen because you’re not pulling your weight and paying your bills; trouble is once you’re known for not paying bills you only have to miss one payment and the letters start coming again.”

Alex, mother of one

Families also employed a range of tactics to reduce their energy consumption in an attempt to reduce bills and avoid going into debt:

“If we’re running short we don’t use the dryer. If necessary we don’t use the washing machine either; and we turn down the thermostat. Only have heating on when we absolutely need it – when the kids get up and bed time.”

Danielle, mother of five

“One way we cope is to have no heat and no hot water from Friday to Sunday when the children go to their father’s.”

Matt, father of four

Annex C: Debt management

In 2009 there were 502,631 customers repaying electricity debt through prepayment meters and 365,036 customers repaying gas debt through prepayment.³⁹

Once an energy company has installed a prepayment meter to recoup debt from a family, it can be very difficult for the family to change to another payment method as a way of reducing their energy bills.

Paula, mother of one, explained that she had got into arrears of approximately £800 when she was paying quarterly bills and the energy company had installed a prepayment meter to collect the arrears at a rate of £3.50 per week. Lana, her partner and three children had had a prepayment meter installed and reported that, “or every £10 which went on, £3 went towards paying arrears”. Matt explained that he had topped their gas up by £10 the previous day; after their arrears were taken off they were left with £3. This allowed “the four children to have a bath, and us to have the heating on for one and a half hours at tea time to warm the house up”.

Other families also had awful experiences of repaying arrears.

Olivia had made arrangements to pay off £5 per week for arrears. “But by mistake they took £25 off the meter per week. It took six weeks to sort out.” The family were left regularly without any electricity, so the food in the freezer went off and they couldn’t cook or heat their water.

Annex D: The 'emergency' facility

Prepayment meters have a facility called the 'emergency' which operates like a bank overdraft and allows the household to continue to use energy even if they have not put any money in the meter. Typically it costs a family £3 to have access to another £7 of energy. The total cost of using the 'emergency' is deducted from the next deposit into the meter before more energy can be used, meaning that a subsequent deposit of £15 would only give the family £5 for energy consumption. Families describe borrowing money to avoid using the emergency or when that facility is exhausted:

"I often have to lend off Mum at weekend [when week's money has run out], if Mum's not able to help, [it] can be hard to find someone to borrow off."

Danielle

"[Grandmother] helps with gas and electric payment. It comes out of her pension – couldn't manage without her help."

Paula

Families who choose to make a weekly contribution to quarterly bills can find they accrue significant debt if these weekly payments are not maintained. One mother in a couple, Olivia, was unable to keep up her weekly payments because her benefits stopped while a change in her circumstances (breakdown of a previous relationship and a house move) was sorted out. During this period she accumulated a debt of £305 to her electricity

supplier, who agreed she could pay £140 up front and £22 per week to repay the debt. She also accumulated a debt of £505 to her gas supplier. This company will not accept part-payment of the debt:

"I can't understand what they are doing, why they want so much. We keep going round in circles but no further forward."

Olivia described difficult phone conversations where she felt they didn't understand what she was saying and felt they couldn't help her.

Families describe how little they understand the information the energy companies include in their statements and so they see no reason to keep the statements, especially as the statement is not a bill. There was also evidence of a general lack of understanding of energy usage and tariffs:

"I still don't understand those key meters. Everyone says it is a rip-off. I just keep feeding the meter. I've never had this trouble [with electricity] before, just with this key, still don't seem right."

Olivia

"Because we never know what is happening, we limit the amount of hot water we use and are always jumping up and turning the heating off, because you never know, you have £7 one minute, £2 the next and you don't want to run out or go into the emergency."

Matt



Annex E: Awareness and consumer choice

The government has committed to the introduction of Smart meters in homes in Britain by 2020. These will allow households to monitor their energy consumption; and energy usage may be displayed in pounds and pence to make it easier for customers to understand. Ofgem judge that Smart meters will make it easier for households to control their energy use and their spending: customers will be able to switch more easily between suppliers and tariffs and also payment methods.⁴⁰

In order to access the cheapest tariff, any consumer must understand their energy bills and energy usage, be aware of the opportunity to change supplier or tariff and be aware of how this change can be made. Ofgem has recognised the difficulty some consumers face in understanding their bills and required that from December 2010 all energy suppliers provide their customers with an annual statement that will clearly show the tariff name, energy usage and forecast use for the next year.⁴¹ Awareness raising campaigns have been run, for example by Citizens Advice, to promote the availability of social tariffs and other social support to those on low incomes.

Endnotes

Executive summary

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² The United Nations Convention on the Rights of the Child

³ Households are said to live in fuel poverty if they spend more than 10% of their income on fuel.

⁴ Department of Energy and Climate Change (2010) *Fuel Poverty 2008 – detailed tables: Annex to the Annual Report on Fuel Poverty Statistics 2010*

⁵ <http://www.money.co.uk/article/1004058-how-do-i-reclaim-prepay-energy-meter-overpayments.htm>

The cost of living for low-income families

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⁸ Perry, J (2010) *Paying Over the Odds*, Church Action on Poverty.

⁹ Financial Inclusion Task Force (October 2009) *Fourth Annual Report on Progress towards the Shared Goal for Banking*. 2% of adults (0.89 million adults) reported they did not have a bank account.

¹⁰ Strelitz, J and Kober, C (2007) *The Poverty Premium: How poor families pay more for their goods and services*, Save the Children and Family Welfare Association

Why do the poorest pay more for fuel?

¹¹ A social tariff must be at least as good as the lowest tariff offered by that supplier to a customer in that region, on an enduring basis, regardless of payment method.

¹² The 'big six' energy suppliers are: British Gas, npower, E.ON, Scottish and Southern Energy, Scottish Power, EDF Energy.

¹³ Fuel Poverty Advisory Group (2010) *Fuel Poverty Advisory Group: 8th Annual Report (for England)* Department of Energy and Climate Change

¹⁴ Mummery, H and Reilly, H (2010) *Cutting Back, Cutting Down, Cutting Off*, Consumer Focus. Of those with a prepayment meter, 60% had a household income of less than £17,500; more than half received some kind of means-tested benefit, or disability benefit; and the chief income-provider did not have a job in just under half of cases.

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¹⁶ Department of Energy and Climate Change (2010) *Annual Report on Fuel Poverty Statistics 2010* Office for National Statistics

¹⁷ Department of Energy and Climate Change (2010) *Fuel Poverty 2008 Detailed Tables: Annex to Annual Report on Fuel Poverty Statistics 2010*, Office for National Statistics.

¹⁸ Barnes, M, Butt, S, and Tomaszewski, W (2008) *The Dynamics of Bad Housing: The impact of bad housing on the living standards of children*. NatCen

¹⁹ Liddell, C and Morris, C (2010) 'Fuel Poverty and Human Health: A review of recent evidence'. *Energy Policy*, 38, pp 2987–2997

²⁰ *ibid*

²¹ Howden-Chapman, P, Pierse, N, Nicholls, S, Gillespie-Bennett, J, Viggers, H, Cunningham, M et al (2008) 'Effects of Improved Home Heating on Asthma in Community Dwelling Children: randomised controlled trial'. *British Medical Journal*, 337, 1411–1418 (in Liddell, C (2008)

²² National Energy Action *Warm Homes Campaign 2010*, Policy Briefing,

²³ Save the Children (2011), Forthcoming publication

²⁴ £16,190 is the first income threshold for entitlement to Child Tax Credit only.

²⁵ Mummery, H, and Reilly, H (2010) – see note 14

²⁶ Ofgem (2010) *Domestic suppliers' social obligations: 2009 Annual report*

²⁷ *ibid*

²⁸ <http://www.money.co.uk/article/1004058-how-do-i-reclaim-prepay-energy-meter-overpayments.htm>

²⁹ Mummery, H and Reilly, H (2010 – see note 14

³⁰ Perry, J (2010) – see note 8

³¹ Dutton W, Helsper, E and Gerber, M (2009) *The Internet in Britain 2009*. Oxford Internet Institute: Oxford University

³² Ofcom, *Nation and Regions Tracker. Q1 2010*

What the families say

³³ Perry, J (2010) – see note 8

³⁴ Consumer Focus Press Release (October 2008) *Consumer Focus awaits Ofcom's report on energy market probe*

³⁵ <http://www.money.co.uk/article/1004058-how-do-i-reclaim-prepay-energy-meter-overpayments.htm>

³⁶ Perry, J (2010) – see note 8

³⁷ <http://www.moneysupermarket.com/c/utilities/meters-guide/3/>

³⁸ Guardian Money, 2 October 2010 'Ofgem hauls energy firms over the coals' p 2

³⁹ Fuel Poverty Advisory Group (2010) – see note 13

⁴⁰ Ofgem (2009) Factsheet 84: Delivering Smart Meters

⁴¹ <http://www.energychoices.co.uk/partner-ec~cu/annual-energy-statements-explained.html>



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This briefing paper draws on two reports:

1. Church Action on Poverty's report *Paying Over the Odds*, which explores the impact of the

poverty premium on the lives and livelihoods of families living in South Yorkshire. The project used the Sustainable Livelihoods Approach to understand experiences of 17 low-income families.

2. Save the Children's forthcoming report *Paying the Price for Energy*, which conducted detailed interviews that explored how families on a low budget manage their gas and electricity costs. Some of the key findings of this research are provided in the annexes.

We're the world's independent children's rights organisation. We're outraged that millions of children are still denied proper healthcare, food, education and protection and we're determined to change that.

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