
Joint statement of Intent on the DWP Third Party Deductions scheme in respect of fuel and water charges

Introduction

1. This Statement of Intent has been agreed by the Department for Work and Pensions ("The Department"), the Fuel Suppliers ("the suppliers") licensed by the Office of Gas and Electricity Markets ("Ofgem"), and the water and / or sewerage companies (also "the suppliers") licensed by the Office of Water Services ("Ofwat"). It describes the procedures for Third Part Deductions ("TPD") of fuel and water charges and the circumstances and the manner in which a person in receipt of Income Support, Income-based Jobseeker's Allowance (in certain circumstances) or Pension Credit ("customer"), who has failed to meet a debt in the time allowed, will be protected from either disconnection of their fuel supply ("the supply") by a supplier or hardship caused by court action for a water debt. It does not apply where the fuel or water and/or sewerage charge is paid with or forms part of the rent. Nor does it modify or detract from the Suppliers' Codes of Practice concerning the payment of domestic fuel and water bills. It only applies to England and Wales in respect of deductions in respect of water supply.
- 1A. This Statement of Intent shall apply to any contractor or agent who is properly authorised by the principal third party ("the supplier") to collect information on TPD, or the payment itself, on behalf of that principal.

Aims

2. The aims of the Statement of Intent are to ensure that:
 - a the customer has a continuation or restoration of a fuel supply; **and**
 - b the customer is not subject to commencement of (or further) court action for non-payment of a debt for water and sewerage charges; **and**
 - c the suppliers will receive, from the Department, regular payments at intervals of 4 weeks which will meet the cost of current consumption and reduce the customer's debt; **and**
 - d suppliers return incorrect payments either by cheque or by notifying the Department (Third Party Payments Call Centre) of the need to make an adjustment.

TPD

3. TPD are made when a Decision Maker (DM) in the Department makes a determination under the Social Security (Claims and Payments) Regulations 1987 ('the Regulations').
4. The DM can make a determination where the customer has a debt and has sufficient specified benefit.

Debt

Fuel

5. In respect of fuel, the debt must be no less than the personal allowance rate of Income Support for a single customer of 25 years or over. (Currently £54.65 increasing to £55.65 on 5 April 04 - Social Security benefits are normally uprated in April of each year.)

Water

6. The original debt for Water Debt and Sewerage charges (England and Wales) is made up of the amount of water and sewerage charges owing plus any other costs (including legal costs) arising out of that debt. If due, the whole of the current year's charge for unmetered water may be included in the original debt.

Water and Fuel

7. There is no more than one original water and/or fuel debt during the period of the TPD and it cannot normally be increased.
8. Where a determination is made, an amount shall be deducted from the customer's benefit/entitlement each week, according to the Regulations, and paid direct to the fuel or water supplier at 4 weekly intervals.

Applications

9. Where a customer is in debt a supplier will first try and recover the debt by suitable means other than TPD. If these attempts are unsuccessful and the supplier is aware that a customer is in receipt of Income Support, Jobseeker's Allowance or Pension Credit TPD shall be considered by the supplier before disconnecting the fuel supply or instigating court action for a water debt.
10. Suppliers will try and ensure that when applying to the Department for TPD applications will only be in respect of customers who are in receipt of Income Support, Jobseeker's Allowance, or Pension Credit. The application shall normally be by letter along the lines of one of the examples in Annex A.

11. The Department will try and ensure that the DM determines an application within 2 weeks. The Department will notify the decision to the supplier.
12. The fuel supplier will not disconnect the customer's supply, and the water supplier will not instigate court action, until a decision on the application has been made.
13. Where a customer has separated from their partner, a TPD will not continue unless a new determination has been made in respect of the remaining partner. The Department will notify the supplier if a TPD is being considered in the name of the remaining partner.
14. Where a fuel prepayment meter, to pay for current consumption and calibrated to recover the debt, has been installed, TPD will not normally be made for that supply.

Amount of TPD

15. The amount of any TPD deducted from a customer's benefit /entitlement shall be that set out in the Regulations, calculated in accordance with Annex B.

Frequency of reassessment

16. For measured supplies of water or fuel, any reassessment of the amount to be deducted shall usually take place at intervals of 52 weeks. More frequent reassessments shall be made where they are essential; in particular where the supplier or customer represent that the amount deducted is significantly different from the current estimate of the customer's average weekly usage.
17. Where fixed water charges apply, checks will normally take place whenever the price is changed. The water supplier will notify the Department of any such change.
18. Where the amount deducted is either insufficient to meet the cost of current charges and the customer's debt is increasing, or more than is needed to meet the cost of current charges, the DM may determine that the weekly amount calculated (according to the formula at Annex B paragraph 9) shall be adjusted for a period of 26 weeks, or such longer period as may be reasonable in the circumstances of the case.
19. The DM will, where practicable within two weeks of being told of a change of circumstances, decide whether or not to adjust the amount being deducted or cease deductions. The Department will notify the decision to the supplier.

Variations of amount deducted

20. No variations in the weekly amount of deductions will be made to take account of seasonal variations in consumption. For example, any credits occurring during the summer will not cause the customer to be treated as having cleared the debt and be removed from the scheme.

Clearance of debts

21. A TPD shall continue for as long as the DM considers it necessary to discharge the customer's obligations and the level of deductions remains acceptable to the supplier. The decision to implement deductions will not be superseded by the DM where the only reason to do so is that the customer wishes to take control of the budgeting. (This is because the customer's desire to take control of the budgeting is not in itself a relevant change of circumstances.)
22. Normally, TPD shall continue only as long as the original debt to the supplier remains uncleared. However when the debt has been cleared, they may be continued for current charges alone where the DM determines it would be in the interests of the customer and their family for such payments to be made.
23. Where a TPD ceases the Department will inform the customer and supplier of the date of the termination of payment, and at the same time ask the customer to contact the supplier to make their own payment arrangements.
24. The Department will notify the supplier where practicable, within four weeks that TPD have ceased.
25. In making a decision, the DM will consider all the circumstances of the case including the customer's ability and opportunity to budget for the next bill and any representations from the supplier, which might include information about future security of their supply.

Referral / Recovery of incorrect payments

26. The Department will make a recovery by 'netting-off' as soon as it is discovered that too much has been paid to the supplier. The full amount of the overpayment will be recovered.
27. If the supplier receives a payment that cannot be recognised, it should immediately be returned to the Department (Third Party Payments).
28. Suppliers should contact the Third Party Payment Call Centre if they need any advice or information on payment issues. The postal and email addresses and Call Centre number (01253 332105) are published in the "Creditor Handbook."

Cost of reconnecting a fuel supply

29. When arrangements are made for a TPD following a disconnection of supply, the supplier shall notify the Department of the cost of reconnecting the supply including where applicable, any disconnection charges and any associated costs which are payable, and the debt which has accrued while the determination is being made. These shall be added to the original debt and recovery made according to Annex B paragraph 1a.

Code(s) of Practice

30. The Water, Electricity and Gas Industries act in accordance with their published Code(s) of Practice covering the payment of domestic water, electricity and gas bills. This Joint Statement of Intent does not in any way modify the terms or spirit of the Code(s) of Practice.

31. This revised Joint Statement of Intent shall come into effect from 1st February 2004.

Section 3B – Electricity debt

Customer's electricity account number

Total electricity debt outstanding £ on

Amount needed to cover current weekly usage £

Is this figure based on an actual reading? Yes No

Date of meter reading

Section 4 – Customer participation

Does the customer know that this application is being made? Yes No

(If not, please tell them straight away)

Section 5 – Fuel company contact details

Print the name of a contact in CAPITAL letters

Telephone number

Email address

Signature

Date

Please remember to give the customer Energy Efficiency advice

ANNEX B

Amounts of deductions for TPD

1. The amount to be deducted by the Department each week from the customer's benefit/entitlement as set out in the Regulations shall consist of:

1.a An amount to reduce the debt including any reconnection and disconnection charges (fuel debt only) and appropriate legal and other costs (where applicable) owed to the supplier by the customer:

i The amount of deduction shall be five per cent of the personal allowance of Income Support for a single customer aged not less than 25, rounded up to the next 5p.

ii Where water and sewerage charges are collected separately and the customer is in debt in respect of both, only one five percent deduction shall be made at a time. Priority should be given to clearing the water debt first. TPD shall continue until both debts have been recovered.

iii Where a customer is also in debt in respect of housing costs and/or fuel charges, deductions for these shall take precedence over those for water charges as set out in the Regulations.

iv The total amount deducted to reduce all debts shall not exceed three times five percent of the personal allowance of Income Support for a single customer aged not less than 25 years.

and

1.b The estimated average weekly cost of the customer's fuel and/or water charges (including any sewerage charge).

Debt

Fuel and Water

2. The amount of the debt is the original debt and includes
 1. the amount of fuel or water and sewerage charges due
 2. any disconnection or reconnection charge (fuel only)

3. any legal costs arising from the debt
4. any other costs arising from the debt.

There is only one original debt during any period of deductions. That original debt cannot normally be increased.

3. 'Debt' can include debt initially brought to the DM's attention for decision, additional debt between that and a date as close as possible to when deductions start and any disconnection and reconnection charges (fuel only) and any associated court costs, legal fees or other costs.
4. The weekly deduction to recover the original debt is a fixed amount. That is 5% of the personal allowance for a single person aged 25 or over, rounded up to the next 5p.

Current consumption

Water – unmetered supply

5. Where the customer pays a fixed charge (based on the annual rateable value or any other device resulting in a fixed known charge) for water, the supplier shall notify the Department of the amount equal to the weekly cost necessary to meet the continuing need for unmetered water consumption by converting the fixed charge into a weekly cash equivalent taking into account any known price increases. When the price changes, the supplier will calculate the difference between the actual charges and the total payments made in the period of deductions to determine if the customer is in credit or debit. The supplier will request an adjusted deduction for current consumption that not only reflects the new price, but also takes account of any debit or credit accrued by the customer.

Fuel and water – metered supply or variable charge

6. When checking consumption, the supplier shall, wherever possible, calculate the customer's average weekly consumption of the relevant supply during the previous twelve months and convert this to a cash value according to the existing tariff, taking into consideration any proposed price increases. This shall form the basis of the estimate for the current consumption. At the end of each assessment period (which subject to paragraph 16 of the Statement of Intent is 52 weeks), the supplier will calculate the difference between the estimated yearly consumption and the actual consumption in the previous twelve months, convert this to a cash value, and will ask for the DM to adjust the new deduction upwards or downwards according to whether the customer is in debit or credit.

7. Where the customer has a metered fuel or water supply, or any variable charge, the supplier will estimate the bill, and on request, provide the DM with details of how that estimate was worked out. The basis of the estimate for current consumption shall generally be the customer's level of consumption during the previous 52 weeks. However where the customer has been metered for less than a year it will be necessary for a supplier to base the estimate on previous consumption over a part year; or to fix the estimate taking account of the likely consumption where there is insufficient history of consumption at the customer's address. In such cases, the supplier shall arrange for a further estimate based on the customer's actual consumption as soon as possible

8. Periodically the supplier shall recalculate the average weekly amount needed to meet the customer's continuing consumption on the basis of the actual cost of past consumption and notify the Department of any added credit or debit. The DM will change the weekly deduction to recover any added credit or debit over a period of at least 26 weeks.

Formula

9. The following formula will ensure that the debit or credit is cleared by the end of the next assessment period by spreading it over weeks 52 (or, if the meter has not been read regularly, such longer period as may be reasonable):

$$DX = ((Q1 + Q2 + Q3 + Q4) / 52 * Y * Z - (or +) S) + SC$$

Key to formula

- DX** = Rate of future weekly deductions
- Q** = Quarterly consumption of units (previous 12 months where known otherwise any suitable period with necessary adjustment to divisor)
- Y** = Charge per unit in last assessment period
- Z** = New price per unit (inclusive of VAT where applicable) as percentage of old
- S** = The total underpayment since the last estimate divided by 26 (or such larger number as may be reasonable - see paragraph 18 of JSI).
- SC** = Weekly standing charge (inclusive of VAT where applicable).

Example of formula in operation for fuel supply

- (a) Check carried out at end of February. Consumption for period was 3,300 units. (The first 224 units in each quarter are charged at 10p, with the balance charged at 6p). There was no standing charge

- (b) The anticipated payment was £200, and weekly current consumption was estimated as £3.85. During the 52-week period, based on the

actual consumption of 3,300 units, £233.84 was due to the fuel supplier, equivalent to £4.50 per week.

- (c) The difference between the deductions made and the actual weekly consumption was 65p (£4.50 - £3.85).
- (d) The average price of supply was due to increase by 5% on 1st April. (Note: actual increase may vary according to level of consumption)
- (e) The new weekly rate of deductions is calculated as follows: -

- (i) Yearly consumption of 3,300 units on quarterly basis:

Q1.	224	626
Q2.	224	726
Q3.	224	426
Q4.	224	626
Total	896	2404

- (ii) Units @ 10p = £89.60 / units @ 6p = £144.24
- (iii) £89.60 + £144.24 = £233.84
- (iv) £233.84 ÷ 52 = £4.50
- (v) £4.50 x 105% = £4.72
- (vi) £4.72 + 65p = £5.40 = **New weekly rate of deductions**

Note: If applicable, the quarterly standing charge should be calculated by the formula $SC \times 4 / 52 \times \% \text{ increase}$ to give a revised weekly value.

10. The formula is intended to be applied in the generality of metered TPD assessments. Minor variations agreed between the Department and suppliers may be necessary to take account of particular circumstances, for example, where a supplier operates a bi-monthly or other different billing system.
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