

Millions In Energy Debt

Millions of Britons are in debt with their energy providers, according to the publication of new figures.

July 22, 2007 (FPRC) -- Research released by uSwitch.com indicates that some two million consumers "officially" owe their supplier money. Overall, the average debt per household now stands at about £200 - a rise of 33 per cent from a similar study carried out last year. Although two-thirds (64 per cent) of consumers were said to owe less than £100, some eight per cent are in arrears of more than £600.

However, the financial comparison service suggested that these figures could "be the tip of an iceberg" in terms of revealing those with difficulties paying off their utility bills as it does not take into account the number of consumers who do not have a debt repayment programme in place. Meanwhile, the study was also carried out before the three most recent increases to the base rate by the Bank of England and various cuts were made by energy companies which in turn "saw a greater squeeze on homeowners".

Ann Robinson, consumer policy director for uSwitch.com, said: "There is an alarming propensity for energy providers to push customers in debt onto prepayment meters (PPM) - this is a cop-out as it is often their own poor billing and debt management practices that force consumers into debt in the first place."

Findings from the price comparison website also indicated that those consumers using a PPM often take longer to get back into the black. Those on a traditional repayment programme are reported to take an average of 48 weeks to clear money owed on an electricity bill compared to 70 weeks for consumers clearing debts through a PPM. Meanwhile, households on a meter are said to make larger payments each week, which in turn could impact upon their ability to make repayments on any other personal loans they may have. Uptake of the meters was also reported to be higher among families on a low income.

"Rather than getting their own house in order and tackling the root causes of the energy debt, providers peddle PPMs which should carry a financial health warning. This is even more worrying when coupled with the fact that consumers in energy debt are not being given basic energy efficiency information that would allow them to take greater control and reduce their bills," she added.

Over the course of 2006, some 138,124 - just under seven per cent of all utility debt customers - were provided with guidance from their supplier on how to cut their energy use and lower their bills. Consequently, Ms Robinson suggested that those looking to reduce pressure on their day-to-day finances should take the time to find the most competitive provider as they could save up to £210 over a year.

At the beginning of this month, a study carried out by MoneyExpert showed that 7.4 million bill payments were missed during the first six months of this year. However, chief executive Sean Gardner warned that despite the "financial pressure" many consumers are facing those who regularly fail to meet demands for repayment could face going to court and hamper their access to

cheap loans in the future.

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