

MEDIA RELEASE

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New report offers a snapshot of debt collection practices in the Victorian energy sector

A new report from the Consumer Action Law Centre gives an insight into the experiences of a number of Victorian energy consumers who had their energy debts passed onto external debt collectors. [*The pursuit of the impossible: consumer experience with external collection of retail energy debts*](#), which comes after a period of sustained electricity price increases and amid forecasts of further price rises, identifies the administration and promotion of retailers' hardship programs and retailers' propensity to outsource debt collection as areas of major concern.

'This report takes the real life experiences of Victorians and uses them to show why energy retailers are better off dealing with these customers through well administered hardship programs rather than by passing on debts to third parties,' said Gerard Brody, Director of Policy and Campaigns with Consumer Action.

'Under the current system, vulnerable, low-income Victorians are at risk of disconnection, harassment and even court action simply because they're struggling to keep up with their household bills. Especially at this time electricity price rises, we'd like to see retailers using payment plans to help these customers rather than passing on debts to external collectors.

The case studies in the report include Victorians of varying demographics and shows that a number of factors can lead consumers into debt. Among the case studies are:

- a 75 year old aged pensioner whose 'smoothed payment plan' resulted in debts of over \$500 being referred to an external debt collector who sought additional costs;
- a 30 year old single mother whose small energy debt of \$350 was referred to an outsourced debt collector without an affordable payment plan being offered by her energy retailer; and
- a 69 year old aged pensioner who cancelled a door-to-door sales agreement within the cooling off period, but was then pursued for debt that she did not owe.

'What the case studies showed was that poor debt collection practices which potentially breach of the law, as well as practices allowed under the current framework have the potential to cause distress to vulnerable and disadvantages consumers,' said Mr Brody.

'We'd like energy retailers to recognise that they sell a costly but essential service and that they have a responsibility to offer payment plans to struggling Victorians. It's not good enough that a debt can be sold off to a debt collector before they've made genuine attempts to set up a realistic repayment plan, even after a customer may have changed providers.'

Among the recommendation in the report, Consumer Action is calling for:

- clarification that energy debts should not be referred to an outsourced debt collector until a retailer has offered a payment plan and participation in a hardship policy;
- energy retailers to not refer debts to an external debt collector where they are aware that the debtor's sole source of income is social security;
- consumer regulators to take enforcement action against energy retailers and debt collectors that breach existing protections; and

- licensing of all debt collectors so that purchasers and collectors of energy debts, have similar obligations to those collecting credit debts.

‘Electricity is an essential service and we need to ensure it remains affordable to all Victorians. One of the best ways to do this is to ensure appropriate hardship programs are offered and to ensure third party debt collection is well regulated and used as a last resort,’ said Mr Brody.

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