

Consumer protection in the Green Deal

The contents of this paper is subject to the consultation outcome

May 2011

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The Importance of Consumer Protection

This briefing sets out our thinking to date on consumer protection and redress. It outlines the general principles of our proposed approach and the aims we are seeking to achieve. We will continue to develop this with relevant stakeholders and set out more detail in our consultation.

The Green Deal is a pioneering policy that will transform the market for energy saving home improvements, removing a number of barriers that currently put people off. To provide consumer and business confidence in the Green Deal, the government will ensure customers are protected and that robust provisions are built into its design. This will encourage take-up and the development of the market.

Effective consumer protection means people will need to know who to turn to if something goes wrong. The first principle is that Green Deal providers are responsible for looking after their customers, throughout the life of a Green Deal Plan. But if customers encounter problems, they could be expected to approach a number of organisations to look for help. To account for that, we will build in “no wrong door” as a design principle behind the provision of advice and referral about the Green Deal and where to go when something goes wrong. We will work to ensure customers are dealt with effectively, without being passed around different organisations.

The life of a Green Deal Plan could extend up to 25 years and customers will need to be confident they will be protected at different stages in the life of a Green Deal, whether as the original improvers of properties, or as a buyers or tenants of properties with Green Deal Plan instalments already attached to their energy bills.

This briefing explains how Green Deal framework regulations will protect the interests of customers, businesses and investors at different stages in the life of the Green Deal Plan. The approach outlined here is consistent with the Coalition Government’s better regulation principles, relying first on a management framework co-created in partnership with industry stakeholders in the new Green Deal market, and backed up by existing regulation and the Ombudsmen services already in place.

The Green Deal is analogous to a club. Members of the club, whether Green Deal Providers, or the assessors and installers they contract with, will pay to join this club. The club will set clearly defined standards of service for their members and require guarantees and insurance as appropriate, to ensure mistakes can be remedied when they are made. In practice, assessors and installers will need to be members of an Green Deal accredited certification body which will apply appropriate standards (e.g. the new Publically



Available Standard being produced by BSI and industry for installers). These standards will be independently accredited by UKAS to ensure robust training and customer service. It will be in the interests of all members to ensure the highest standards are required, monitored and maintained to minimise the potential for future problems. The core benefit of membership will be access to the new market for building improvements to save energy, enabled by the use of the new Green Deal financing mechanism.

1.1 Minimising cases needing redress and sanctions through effective accreditation

This approach is consistent with wider government policy on the role of regulation, recognising that in some markets customers and businesses can be better protected if market participants are free to develop, maintain and enforce their own standards. In the case of the Green Deal, government recognises this, and will adopt a co-regulation approach, working through UKAS to help industry define these standards.

The licensing and accreditation that will be required for companies to trade as Green Deal Providers, using the energy bill collection mechanism, will require companies to meet a new Green Deal Code to be developed in partnership with industry. This will govern the whole life of the Green Deal Plan, protecting customers at every stage.

The core elements of the Green Deal the Code will require providers to:

- provide a statement of expected energy bill savings, based on the assessment, showing how these should be sufficient for the customer to meet the Plan instalments;
- only offer a Green Deal Plan to pay for energy saving measures recommended by an accredited Assessor, using an objective method;
- only use Green Deal certified Assessors and Installers, certified by Green Deal accredited trade bodies.

As well as this, the Code will require Green Deal Providers to guarantee the packages they offer. These will be supported by the underpinning accreditation and certifications arrangements for assessors and installers, which will support this guarantee of the quality of assessment and installation, as well as their performance.

1.2 Trusted and reliable energy assessment and Green Deal advice

The accreditation framework for energy assessment and Green Deal Advice will be underpinned by: a robust qualification and accreditation framework; more robust assessment methodologies; and effective redress routes, backed by professional indemnity cover, should anything go wrong.

This will ensure customers have a strong, impartial base on which to choose a Green Deal that is right for them. It will also ensure Green Deal Providers have clear and impartial information on which to base their offer, and a framework to claw back any costs incurred to satisfy their customers, if the assessment was found to be at fault.

1.3 Confidence in setting-up a Green Deal Plan

Once their property has been assessed and they have tailored energy saving recommendations, a customer can agree a Green Deal Plan, from a firm quotation offered by a licensed Green Deal Provider.

Licensed providers will meet the requirements of the Consumer Credit Act (CCA) and will need to hold a consumer credit licence. This provides protection against mis-selling and allows for 'cooling off' periods, for example. In addition, the Green Deal Code will set out the permissible financial terms allowable under the scheme (e.g. fixed vs variable, index linked or nominal etc.). The Green Deal will be different from traditional financial products – precisely because the Green Deal is an innovative finance mechanism - and we will work with BIS and the Financial Ombudsman Service to ensure they can provide an effective route for redress for the financial aspects of the Green Deal.

Energy saving measures that are paid for in this way can only be installed by Green Deal businesses accredited under the relevant certification scheme for their trade, contracted by the provider. Existing trade schemes will be accredited by UKAS to have met the Green Deal standard, which is being developed by the British Standards Institute, in consultation with industry stakeholders. Their work will be guaranteed, while the products they install will also be Green Deal approved. These schemes will build in effective processes to handle complaints and offer redress for their members customers.

The Green Deal Code will require providers to set out these details in the Plan document. In this way customers can be confident that the potential savings assessed and offered by their provider, while providers and investors can be confident that customers will be able to afford the Plan instalments collected through their energy bills

The Green Deal Provider will be responsible for ensuring the Energy Performance Certificate (EPC) is updated by an accredited assessor to reflect the new improvements installed and to disclose details of the Green Deal Plan. They will ensure the updated EPC is lodged on the EPC Register, which will provide for the automatic disclosure of the Green Deal to subsequent bill payers (see below).

1.4 Ensuring effective collection of Green Deal Plan instalments

Plan instalments will be collected through their energy bill. The relationship between Green Deal Provider and the energy companies will be governed by new Multi Party Agreements. These will be contractual and commercially enforceable.

Green Deal Plans can last up to 25 years. The on-going billing of the Plan instalments will need to be accurate and kept up to date (to reflect early repayments or other changes to the Plan, for example) and be transparent to energy bill payers. The protections afforded to customers for the collection of their Green Deal Plan instalments will be equivalent to those available for other credit repayments under the CCA.

For customers, energy supply billing and charging Green Deal Plan instalments will be regulated by OfGEM and they will have recourse to the Energy Ombudsman if any



disputes over the amounts to be collected cannot be resolved with the Green Deal Provider and the supplier. OfGEM will also have a role, as now, in regulating payment collection by suppliers, ensuring vulnerable customers are treated fairly. This will work in exactly the same way for the Green Deal Plan instalments charged on the energy bill, as these will be treated as *pari passu* for the purposes of managing a customer's energy debt.

1.5 Automatic transfer of the Green Deal Plan to the next energy bill payer

Subsequent bill payers are protected under the Green Deal. They will have the same protections and guarantees as the first improver, while they are paying the Plan instalments through energy bill for the property. But before they decide to take on a property that has been improved with a Green Deal Plan and before it can transfer to them, the details must have been disclosed to them by the person selling or renting the building.

The Green Deal Provider is required to update the EPC with details of the Plan once the energy saving measures have been installed. It is already a legal requirement for the owner of a building to make the EPC available to prospective buyers and tenants. This alone should be sufficient to ensure the Green Deal Plan is disclosed.

But the Bill imparts a separate legal obligation on owners of Green Deal improved buildings to disclose the Green Deal Plan, but one that can be discharged by providing the EPC (and one that can be met by others on their behalf e.g. by estate agents). In the domestic sector, owners will have an obligation to secure that future bill payers acknowledge in written contracts for sale or rent that they will be liable to pay the energy bill for the property on moving in (i.e. so they will be paying the instalments from that point).

If the subsequent bill payer has not been told about the Green Deal, or if they did not provide their acknowledgement of their liability to pay the energy bill, then they may not have to continue paying the Green Deal instalments. In this instance, the Green Deal Provider may have to write-off the rest of the Plan and refund payments already made. The person who failed to meet the disclosure and acknowledgement obligations will be required to compensate the Green Deal Provider.

1.6 Systems and data flows for effective complaints handling and redress

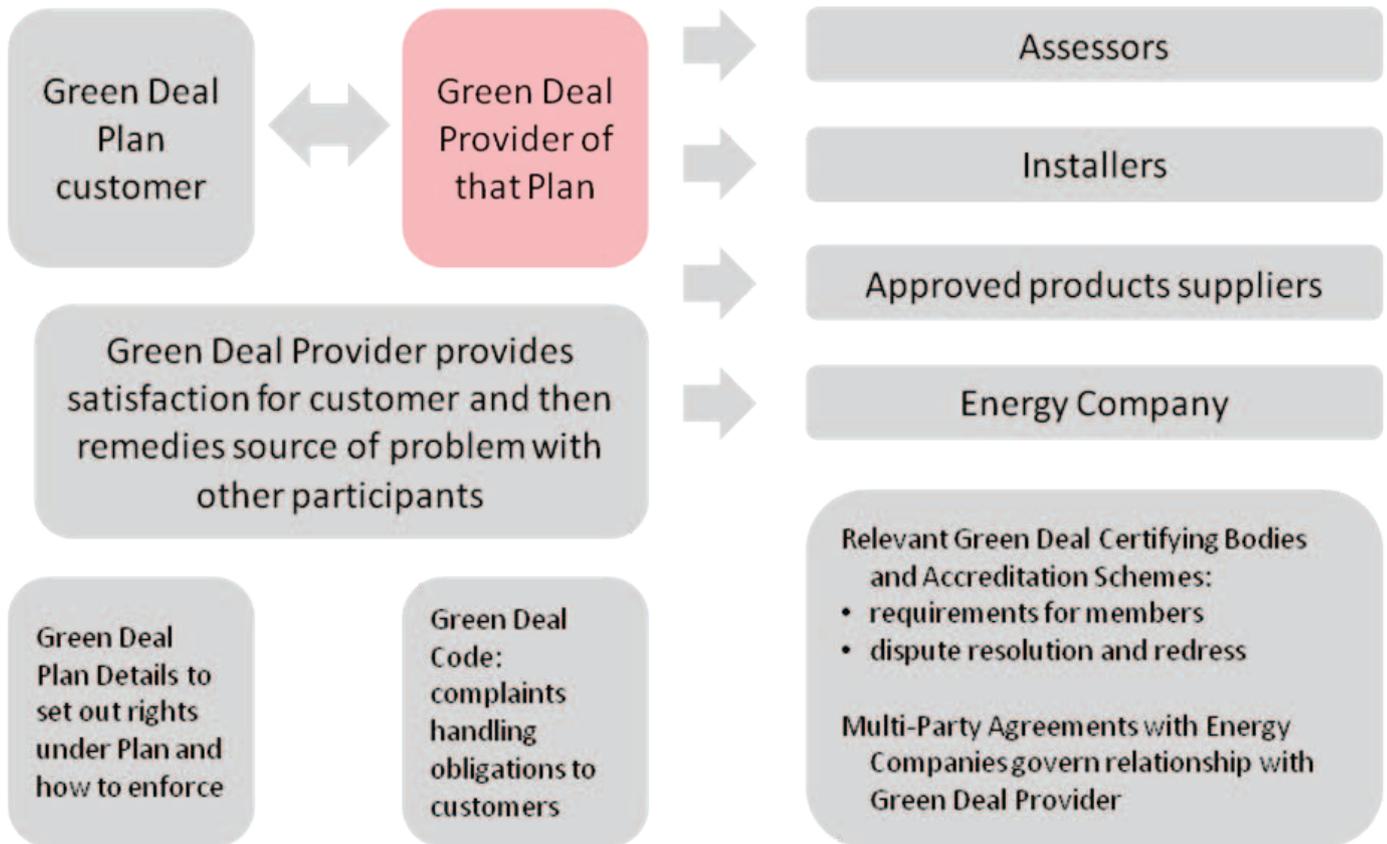
The government will set up a Green Deal Advice line. As well as providing a source of impartial information and referral to assessors, installers and providers, it will also provide advice and referral to assist customers when something goes wrong that can't be fixed by the Green Deal provider. It will provide information about the obligations and protections that are part of the Green Deal— as set out in Green Deal Code - and be capable of capturing basic details about the problem to refer on to the relevant trade certification scheme, or Ombudsman Service (assuming the customer has not been satisfied by their Green Deal provider).

We will work with these Ombudsmen Services, with the energy suppliers and with the accreditation schemes and certifying bodies to ensure sufficient information about the Green Deal Plan is retained and capable of retrieval by those who may need access to it, to enable the effective investigation and resolution of complaints and disputes.

The Green Deal Code will require all professionals operating under the scheme to inform their customers about the government's Green Deal advice line and website. It will also require participants to share information and to cooperate with the investigations of the relevant Ombudsman services.

2 Summary of approach

Who do I call if something goes wrong?



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Department of Energy & Climate Change
Area 3D
3 Whitehall Place
London SW1A 2HD
www.decc.gov.uk