

**Derbyshire County Council**

**Meeting with Cabinet Member, Health and Communities**

**09 September 2014**

**Report of the Strategic Director, Health and Communities**

**COMPLAINTS RELATING TO BUSINESSES OPERATING IN DERBYSHIRE  
OFFERING ENERGY SAVING SERVICES 2013-14**

**1 Purpose of the report:**

To inform the Cabinet Member, Health and Communities of various government initiatives to encourage home owners to make their properties more energy efficient and to highlight a number of complaints received by the Trading Standards Division from consumers who have been misled or confused about what energy saving offers are available to them.

**2 Information and analysis:**

2.1 The Government's Green Deal initiative is intended to encourage home owners to make their properties more energy efficient and thus reduce the amount of fuel consumed each year in the UK and to reduce energy bills and CO<sup>2</sup> emissions. In addition, there is a parallel responsibility placed on the larger energy companies (the Energy Companies Obligation – ECO) to deliver energy efficiency measures to domestic energy users. A particular feature of Green Deal finance (as opposed to ECO) is that it allows householders to pay for the cost of any energy saving measures through their energy bills rather than upfront. However, the market is complex and although there is an official register of approved Green Deal companies, there have been a number of businesses that have not complied with OFGEM guidance and this has led to a number of complaints from the public, which are detailed in this report.

2.2 The Government has set a number of ECO targets and energy suppliers are obliged to help improve the energy efficiency of their domestic customers' buildings in three distinct areas:

- **Home Heating Cost Reduction Obligation (HHCRO)**  
Under the Home Heating Cost Reduction Obligation, energy suppliers are required to provide measures which improve the ability of low income and vulnerable households (the 'Affordable Warmth Group') to heat their homes. This includes actions that result in heating savings, such as the replacement or repair of a boiler for example. (This used to be known as 'Warm Front').
- **Carbon Emissions Reduction Obligation (CERO)**  
Under the Carbon Emissions Reduction Obligation, energy companies must

concentrate efforts on hard-to-treat homes and measures that cannot be fully funded through the Green Deal. Solid wall insulation and hard-to-treat cavity wall insulation are the primary areas for focus under this target. Other insulation measures and connections to domestic heating systems are also eligible if they are promoted as part of a package that includes solid wall insulation or hard-to-treat cavity wall insulation. External solid wall insulation tends to be pre-1930's properties and costs in the region of £5k to £6k. There is a potential conflict with planning requirements if this then impacts on how properties look.

- **Carbon Saving Community Obligation (CSCO)**

Under the Carbon Saving Community Obligation, energy companies must focus on the provision of insulation measures and connections to domestic heating systems supplying areas of low income. This target has a sub-target, which states that at least 25 per cent of each supplier's Carbon Saving Community Obligation must be achieved by promoting measures to low income and vulnerable households living in rural areas

2.3 Some of the issues that have been identified with a minority of businesses seeking to exploit consumers who are interested in making their homes more energy efficient and keen to access any grants that may be available and are as follows:

- The Green Deal 'Golden Rule' is that the monthly repayments of the installation and energy usage combined should cost no more than the existing monthly energy bill. A typical Green Deal assessment should take approximately two hours and is sometimes free or may cost between £99 and £300.
- There has been a poor take-up amongst private landlords which is a little surprising as they can pass costs on to tenants and the cost of installation is recovered via the energy bills.
- There is scope for home owners with a property that needs upgrading/modernising but with little capital and limited ability for additional mortgage borrowing to take advantage of the Green Deal finance scheme.
- The scheme appears to be too complex and there has been a very low uptake compared to the investment and set up. However DECC appreciate these issues and are redrafting policy to simplify the golden rule.
- There appears to be some uncertainty in terms of what is available and how much subsidy can be obtained by the householder in return for carbon savings. The LAEP has a network of local authority officers who are in a position to provide up to date advice and assistance to householders enquiring about Green Deal and ECO offers.
- Consumers have signed-up on one basis and then the 'offer' has changed because the price of carbon has changed making it uneconomic for the Energy Provider or intermediary to continue.
- OFGEM have introduced a comprehensive bureaucracy that should reduce mis-selling and fraud, and places significant responsibilities on installers to complete work in accordance with PAS 2030:2012 standards otherwise the

installer will not meet ECO reporting obligations and not get paid by their Green Deal provider.

2.4 Previous efforts to encourage householders to better insulate their properties have been administered by local authorities, however, the Green Deal appears to favour private sector companies and identifies the following different categories:

- **Assessor Organisations** - carry out assessments, they visit your property, tell you what improvements you can make and estimate how much you could save on your energy bills.
- **Providers** - help you decide if a Green Deal Finance Plan is right for you, provide finance, help with Green Deal Cashback and arrange for the installation of improvements. They can also arrange an assessment.
- **Installers** - install improvements for Green Deal customers.

2.5 The Green Deal Oversight and Registration Body (GDORB) has been set up by the Government to oversee the Green Deal scheme and to vet and approve businesses seeking to register to operate under the scheme. GDORB are responsible for:

- maintaining a register of all authorised [Green Deal Providers, Certification Bodies, Advisors and Installers](#). They have to be authorised to use the logo;
- maintaining the Green Deal Code of Practice,
- controlling the use of the Quality Mark,
- on-going monitoring of Green Deal Participants against the Code of Practice,
- producing an annual Green Deal report; and
- gathering evidence of non-compliance and referring participants to the Ombudsman or the Secretary of State where appropriate and imposing sanctions when directed.

2.6 Under the Scheme, only Green Deal authorised assessors or providers are eligible to offer to carry out an assessment under the Green Deal scheme. As authorised assessors they are bound by the Green Deal Code of Practice administered by GDORB and, when seeking to engage with the public, must comply with the following and let the householder know:

- Their identity and that of their employer
- If they are receiving a fee or commission
- If there is an assessment cost
- If they are selling any extra services not part of the assessment
- What the cooling off period is
- Who their Green Deal provider is

2.7 The public can find an authorised Green Deal business online at [The Green Deal - Find A Green Deal Supplier](http://gdorb.decc.gov.uk/find-a-green-deal-) <http://gdorb.decc.gov.uk/find-a-green-deal->

[supplier](#) and consumers can make a complaint to the Green Deal Oversight Body via the following e-mail address: [correspondence@decc.gsi.gov.uk](mailto:correspondence@decc.gsi.gov.uk)

- 2.8 However, as Members will be aware, there have been a number of complaints from local residents about energy saving companies. The Division has received 33 complaints about a business based in the North East alone. Correspondence with the Department of Energy and Climate Change suggests that the company concerned although purporting to be operating under the Green Deal Scheme are not in fact registered and authorised with the Green Deal Oversight and Registration Board. Many of the complaints have been about businesses offering to carry out Green Deal finance energy assessments and then either not carrying out the assessment or failing to return assessment cancellation fees; businesses that entice consumers on the basis of them qualifying for a 'free replacement boiler' under the scheme and then persuading the householder to have their entire central heating system replaced, but carry out the ancillary work to a poor standard; as well as complaints about high-pressure selling of solar panels.
- 2.9 As a result of the issues identified and in response to concerns raised by members of the public, the trading standards division sought to engage with local businesses operating in this sector. However, it was quickly established that relatively few Derbyshire businesses are signed up as assessors, installer or providers under the Green Deal Scheme. As a number of Derbyshire businesses are operating in the solar panel sector and other energy saving related services, it was decided to instead contact these businesses. As a result of enquiries with these businesses it was established that there is quite a high turnover of businesses operating in this sector and although they were mostly compliant there were one or two areas of concern. Further details and examples of complaints received about traders operating in the home energy saving sector are provided in the project report in the appendix.
- 2.10 On a more positive note, of the local solar energy companies that responded to the survey, most were members of the Microgeneration Certification Scheme that requires members to subscribe to the Renewable Energy Consumer Code which affords additional protection to consumers.
- 2.11 An issue for the service is that we have not previously categorised businesses operating in the home energy conservation sector and so it is not easy to establish trends in complaint levels, although it is fair to say that there has been an increase in complaints both to the service and to partner agencies. Contact has been made with CAB, District Council Housing and the Local Authorities Energy Partnership (LAEP) to seek to determine the best way to provide advice and information to the public and to identify and marginalise the minority of rogue traders.

**3 Other considerations:**

In preparing this report the relevance of the following factors has been considered; financial, legal, prevention of crime and disorder, equality of opportunity; and environmental, health, human resources, property and transport considerations.

**4 Background papers:**

None

**5 Key Decision:**

No

**6 Call-in:**

Is it required that call-in be waived for any decision on this report?

No

**7 Strategic Director's recommendation:**

That the Cabinet Member, Health and Communities notes the concerns raised about the home energy sector and the Green Deal and agrees that the Trading Standards service should continue to work with partners to monitor this sector and provide further reports as appropriate.

**David Lowe**  
**Strategic Director**  
**Health and Communities**

## **Appendix 1 - Trading Standards Project Report; Solar / Green Deal businesses operating in Derbyshire 2013-14**

### **Activities Undertaken**

The original purpose of this project was to look at the way the Government's Green Deal was being delivered to Derbyshire consumers by our Green Deal providers. However there are only two registered Green Deal providers in the county, also government reports show a very slow uptake for the Green Deal. Several thousand assessments have been made but very few households have signed up.

We did, however, identify many Derbyshire companies registered under the Microgeneration Certification Scheme most of whom were not on FLARE (the trading standards database) these were created as new premises. We were also receiving complaints about energy surveys, boiler replacements and the mis-selling of solar. In view of the small number of Green Deal providers, it was decided that the main emphasis of the project would be to look at our solar energy/green product providers and to intervene in and investigate complaints in these areas.

A letter and questionnaire were sent out to all our identified solar energy companies. The aim was to verify any membership claims and to check their contracts for cancellation rights and terms and conditions. 28 letters and questionnaires were sent out in November 2013 and responses were recorded in an individual action diary for each trader.

Response to the survey was mixed with only a 50% return rate. It was established that some traders had given up business, some were not involved in solar power and some only dealt with other traders on major commercial installations. Those that did respond were mostly compliant apart from minor issues with paperwork. In deciding not to use resources following up the responses it was noted that:

- Membership of the Microgeneration Certification Scheme imposes certain standards on the trade and most also subscribe to the Renewable Energy Consumer Code which has stricter standards than normal consumer law.
- We have received no complaints about these businesses.
- The law on consumer contracts is changing in June so it not worthwhile issuing advice when further amendments to paperwork will have to be made again later this year.

Other notable activities involving "green" energy providers have been:

- MP Ltd sold a solar panel and heat source pump system to an elderly gent living in a small bungalow. The consumer alleged that the system was mis-sold as his energy bills rose after the installation. He had also been signed up to a credit agreement on unfavourable terms. Following our intervention MP first offered to fit larger radiators and adjust the system. This offer was refused and MP then agreed to remove the system and give a full refund of £14,500 – plus the consumer was able to retain the new radiators and boiler.
- GHE sold an 88 year old man a system designed to pay for itself over 25 years. The consumer paid a deposit then decided to cancel outside 7 days, however

because GHE's cancellation notice was non-compliant they would be entitled to cancel at any time. In the meantime GHE went into liquidation; we pursued the claim on the consumer's behalf through the liquidators and obtained the consumer a refund of 70% of his deposit which equates to £1,755 compensation.

- Two solar energy companies are being investigated for mis-selling systems and the credit to finance them. The complaints about the companies are very similar; consumers are cold called and canvassed re solar panels. The sales staff are vague about cost implying or stating the panels are free or pay for themselves (from the feed in tariff). Credit is not mentioned but the sales staff get the consumer to sign a credit agreement by underhand means. The first the consumers know of the credit is when they receive notification that payments are to start. Most of the consumers are elderly and would never consider a long term credit agreement, even if they could afford one. It is not yet clear if these actions are due to commission led rogue sales staff or deliberate company policy. Following our intervention one of the companies has cancelled three agreements, with a total value of over £45,000. An agreement has been reached for these consumers to retain the panels on a cost neutral basis.
- We gave advice to VCS, a Derbyshire heating firm who are fitting free boilers under the Affordable Warmth Scheme. The scheme only pays for a replacement boiler and we had received many complaints about unexpected charges being made for extra pipework or radiators and failing to make good where the fabric of the house had been disturbed. VCS provided minimal paperwork to consumers, which was also found to be non-compliant. VCS were advised and so produced a new contract with proper cancellation rights and a full explanation of what was included or not included in the contract. Complaints have significantly reduced.
- We are seeing a number of complaints about domestic energy assessments. A full assessment should cost between £100 and £150, if this is carried out by an installer they will often waive any fee if they then carry out any work. The complaints relate to companies who canvass to do an assessment and charge a large fee, typically £300, up front. Then no assessment is carried out or it is not done in a timely fashion or if carried out it is inadequate.
- We have made contact with colleagues in the CABs and the Local Authorities Energy Partnership to form a Working/Action Group to look at the issues around the provision of insulation, boilers etc under the ECO (Energy Companies Obligation). The funding is complex with the ECO feeding into other providers who have varying criteria for releasing funds. Traders can also be affected, we are aware of one trader who installed new boilers under the Affordable Warmth Scheme but was refused the funding causing him to go into liquidation.

## **Conclusion:**

This project started as a simple check on our solar energy providers but has revealed the need for a more in depth examination of the energy saving/green deal market. The issues raised in complaints about goods supplied under ECO show some flaws in this complicated scheme affecting consumers and the trade. Other complaints reveal that, as expected, some rogue traders have taken advantage of the current interest in reducing energy bills by purporting to be able access a variety of free offers resulting in serious financial detriment to some vulnerable consumers.