

Energy regulator moves to protect small and micro-businesses from 'rogue energy brokers'

Recent media reports and Ofgem's latest efforts underline the importance of working with an energy broker who follows an 'open book' policy and can provide clients with complete transparency.

"The type of sharp practices we see from some providers, including locking small businesses into poor value long-term contracts for essential gas and electricity, is all-too-often a reality in today's marketplace," says Hiren Kanabar, General Manager of Assured Energy. "And it often hits those clients who can least afford being caught out in this way." But it doesn't have to be like that, he says: people should never pay more than they should for the energy they use.

"By contrast, we work to our own robust Code of Conduct, and we believe the industry does require proper regulation to help prevent mis-selling. Ofgem needs to take action, and urgently."

A recent article in *The Guardian* newspaper¹ reported that so-called rogue energy brokers are "conning small businesses out of £2 billion a year" according to documents submitted to the energy regulator. The paper wrote that "Some individual firms are seeking pay outs of up to £1m, according to one claims management firm that is seeking legal settlements for small businesses against their brokers."

The article continues, "The regulator estimates that businesses, charities and public bodies spend about £25bn to cover their energy bills every year, of which about half is bought through energy brokers." It's estimated that around £2.25bn of this is likely to be commission. Ofgem is planning to launch a call for evidence in the coming months to better understand the extent of mis-selling in the market – so watch this space.

The story was also reported in the leading UK business magazine *Business Matters*² and in *The Times* newspaper, which under the headline "Watchdog Ofgem sinks teeth into energy brokers" reported that "The energy watchdog is to launch a review into the abuse of small businesses by brokers and suppliers in a move likely to lead to a price cap for the smallest firms. Ofgem is preparing to issue a call for evidence ahead of a strategic review of the market for 'microbusinesses', according to industry sources. Microbusinesses are defined as those that use small amounts of gas or electricity."³

Hiren Kanabar adds, “These practices should come as no surprise to the regulator. These issues have been around for years, and proper action is long overdue. In particular, these practices can pose a real threat to the health of the UK’s many smaller firms and micro-businesses.” He points to an article from way back in 2014 on ‘rogue brokers’ that reports the same mis-selling practices.⁴

“Where Assured Energy becomes aware of such practices, we’re obviously happy to provide the regulator with the evidence it’s asking for - of mis-selling, of unreasonably high commission payments, and other practices that can sometimes verge on the criminal.”

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¹ https://www.theguardian.com/business/2020/jan/26/rogue-energy-brokers-con-small-businesses-ofgem?CMP=Share_iOSApp_Othe

² <https://www.bmmagazine.co.uk/news/rogue-energy-brokers-are-conning-small-businesses-out-of-2bn-a-year/>

³ <https://www.thetimes.co.uk/article/watchdog-ofgem-sinks-teeth-into-energy-brokers-2p0wps23q>

⁴ <https://www.thisismoney.co.uk/money/bills/article-2758245/Small-firms-lured-pricey-energy-deals-escape-from.html>

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