



# Broker Dispute Resolution Scheme

Annual Review | Year 2

1st December 2023 – 30th November 2024

# About Energy Ombudsman

Energy Ombudsman is an independent and impartial service that has been providing an alternative dispute resolution (ADR) scheme to the UK energy sector since 2006.

As part of Trust Alliance Group, our purpose is to provide fair dispute resolution between consumers and suppliers that builds trust, breaks deadlocks, and delivers the best outcomes for everyone involved.

We've been approved by Ofgem to provide a redress scheme in the energy sector since 2008 and we collaborated closely with them on the introduction of the ADR scheme for energy brokers.

Because every dispute is managed by a single case handler from start to finish, we understand and empathise with all parties involved, building trust and ensuring a fair outcome for all. Our specialist and experienced colleagues have undergone comprehensive training and have the required support in place to make sure we reach fair and reasonable decisions for each consumer that decides to use our service.

Our experience and expertise enable us to drive sector-wide improvements, enhancing outcomes for energy brokers, suppliers and consumers while making a positive impact for the greater good.



Due to the scheme starting in December 2022, this report sets out our experience between December 2023 and November 2024. From 'Year 3' (2025) onwards, we'll report based on the calendar year.

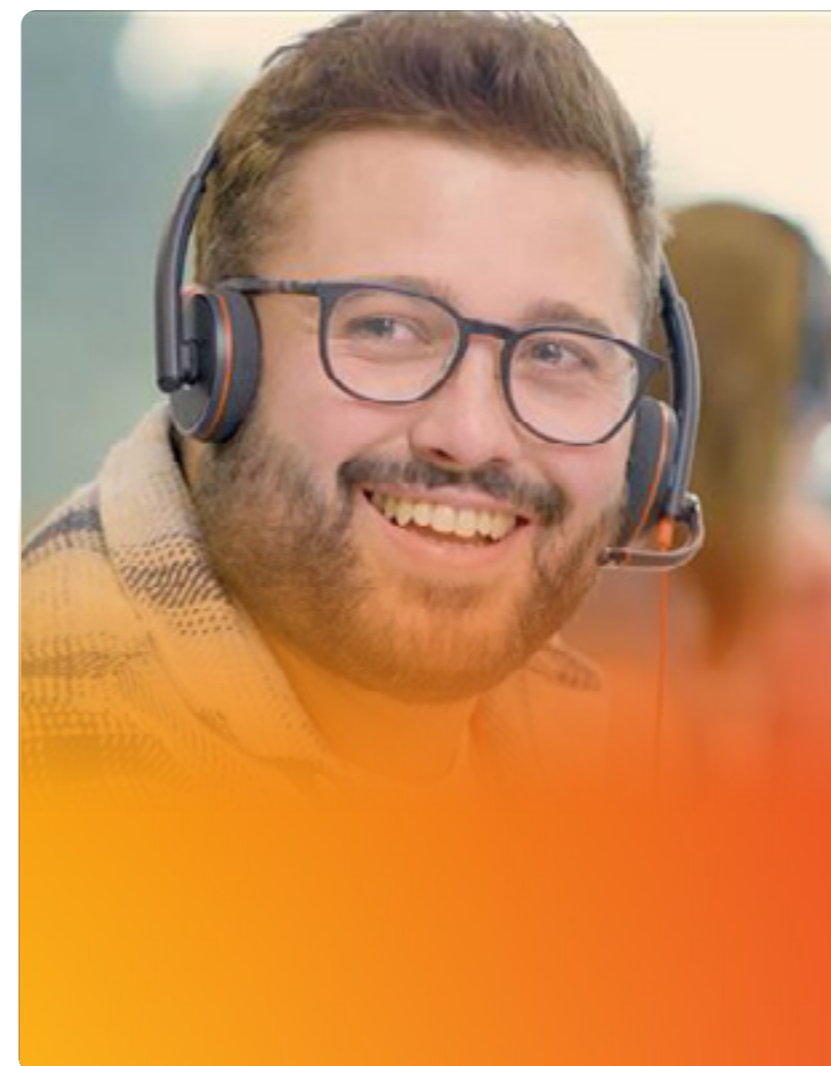
Throughout this year's report, we discuss our experience in providing a dispute resolution service for microbusinesses that use Third Party Intermediaries (TPIs).

We refer to both TPIs and energy brokers as "brokers" throughout the document. We use these terms as we feel there is a greater awareness among the public for that term, compared to TPIs.

# In this year's report

## Contents

1. Foreword	4-5
2. This year's highlights	6
3. A review of the scheme in numbers	7-9
4. Takeaways from year 2 of the scheme	10-14
5. Sector engagement	15-18
6. Consumer feedback on our service	19-20
7. Looking forward	21
8. Appendix	22-27



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Foreword  
Page 5

"Most of the brokers we come into contact with are professional and want to provide a great level of service to consumers. However, we've also witnessed some concerning behaviour."

Takeaways from year 2 of the scheme  
Page 10

"We can't understate the importance of timely remedy implementation as it helps build trust with consumers. This will continue to be a focus area for us next year."

Consumer feedback on our service  
Page 20

# Foreword

**I'm delighted to present the findings from our second year of operating an ADR scheme for energy brokers.**


In 2024, after the challenges of the previous year, the energy market has shown encouraging signs of stabilisation. This year, our efforts have been increasingly successful in resolving disputes and fostering better practices within the sector. There has also been a notable increase in engagement from energy brokers, with members recognising and complying with the requirements of the scheme.

Through continued collaboration and enhanced compliance, energy brokers are making meaningful strides towards greater transparency, fairness and consumer protection in the energy market. Last year, we noticed an important improvement in the way energy brokers addressed disputes, with increased emphasis on understanding the complexities of disputes, and the importance of clear and consistent communication with consumers.

Despite ongoing challenges, particularly around signposting and contract transparency, it's encouraging to see energy brokers evolving their practices in response to our unique data and broad view of the sector. These improvements are vital as we continue to build trust between brokers, consumers, and suppliers.

This year, we've seen more external attention on the role of energy brokers and how regulation can address some of the industry's most pressing issues, as the Government announced a new consultation on regulation. While regulatory change may seem daunting, it represents an opportunity to raise standards and increase trust within the sector.

Feedback from our recent survey of brokers (more information is shared in this report) shows that the majority of brokers support regulation because they recognise that it can eliminate bad practices and support a more professional, ethical market. The benefits of regulation aren't just theoretical – they're critical for increasing consumer confidence, creating a level playing field, and providing greater clarity for brokers, suppliers and consumers.

A portrait of Ed Dodman, a man with short brown hair and a light beard, wearing a light-colored collared shirt. He is looking slightly to the right of the camera with a neutral expression. The background is blurred, showing what appears to be an indoor setting with other people and lights.

**We're optimistic that well-practiced regulation should level the playing field whilst raising the bar for all players and building trust in the sector.**

**We'll continue to focus on building on the successes and learnings from the scheme into 2025 and beyond.**

**Ed Dodman**

Managing Director & Chief Ombudsman  
Energy Ombudsman

# This year's highlights

In its second year, the broker scheme built upon the successes and lessons of 2023.



\* For the period 1st February 2024 – 30th November 2024

# A review of the scheme in numbers

Following a difficult few years in the energy market, 2024 saw a return to normal trading conditions. However, challenges remained. Prices remained high compared to where they were a few years ago, and the environment for UK businesses continued to be difficult. Against this backdrop, it's perhaps unsurprising that we've continued to receive a significant number of disputes into our service.

Dispute volumes peaked in April 2024, then gradually stabilised in the second half of the year, suggesting that either consumers are having fewer reasons to complain, or brokers are getting better at resolving disputes when they arise.

## Volumes

We received the following number of disputes in the period December 2023 – November 2024:

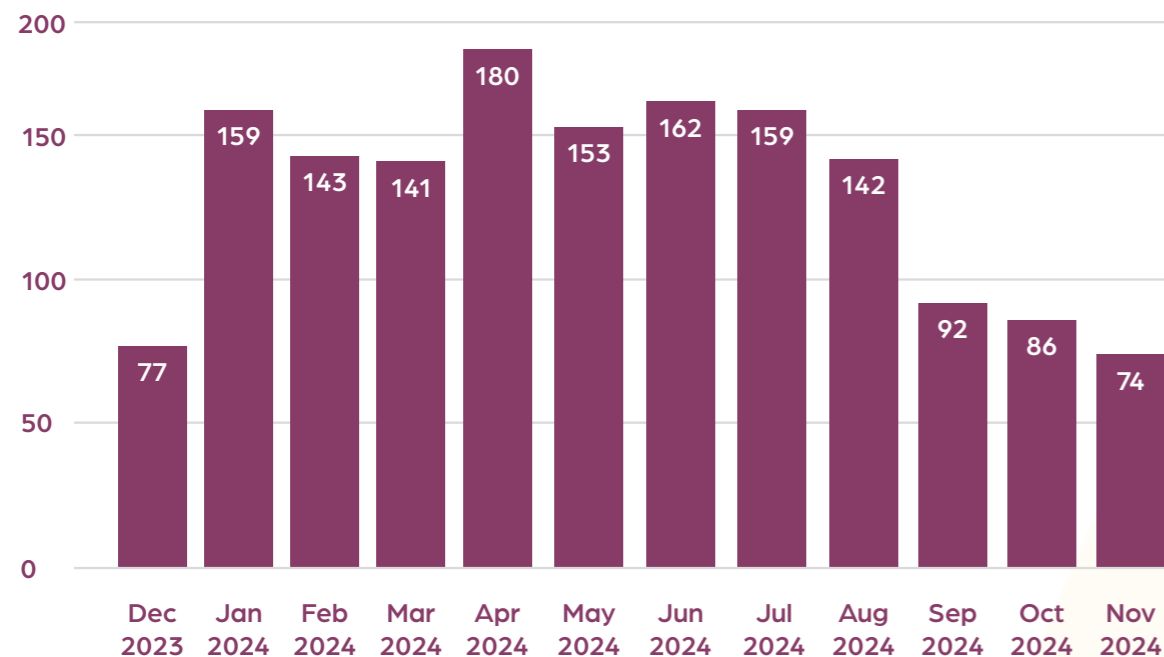
## 1,568 cases accepted

- We saw a **112% increase** in the disputes received in 2024 compared to 2023
- Around **25% of scheme members** have had disputes raised about them in 2024







As the scheme has matured, public awareness has grown and this seems to be driving the increase in disputes to our service from year 1 to year 2. However, the decrease in disputes since April 2024 indicates that conditions are improving.

### Case Acceptance (Accepted between December 2023 to November 2024)



In our efforts to manage disputes effectively, we review each case before deciding whether to proceed to investigation. We don't investigate every dispute that we receive. In the second year of operation, **we received 847 disputes** which we didn't take forward. There are a variety of reasons for this, most commonly because the consumer hadn't yet complained to the broker or hadn't given them eight weeks to resolve the dispute.

#### Dispute Types

<p><b>Sales: 88%</b> Up from 71% in the previous year</p> 	<p><b>Switching: 2%</b> Down from 9% in the previous year</p> 	<p><b>Customer Service: 6%</b> Down from 13% in the previous year</p> 	<p><b>Charges: 4%</b> Down from 7% in the previous year</p> 
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#### Overdue remedies

In the second year of operation, overall brokers provided evidence of implemented remedies on time in **63%** of cases. This is a small improvement on year one, from **57%**. However, the overall picture is different, with performance falling mid-way through the year to **27%**, before improving again to over **80%** by the end of the year.

The average time to implement a remedy has come down from the peaks mid-year. So, there are a minority of cases where the consumer's waiting too long for their remedy to be implemented.

Although things are getting better, we've seen members with 100% timely remedy implementation, so we'll continue to work with brokers who aren't carrying out actions in a timely manner.

#### Membership of the scheme

On the surface, membership numbers are stable. By the end of the reporting period, we had 1,819 brokers signed up as members of the scheme, compared to 1,890 brokers at the end of year one. However, a deeper analysis reveals a significant level of churn.

Since the end of 2023, approximately 400 brokers have been added to the scheme and around 470 brokers have left the scheme. Some brokers have chosen to leave the energy sector or have ended their membership. However, we've also had to remove a number of brokers from the scheme for failing to abide by our rules, for example, by not implementing our remedies.

#### Decision making

We're constantly updating and improving our approach to complaints to support excellent decision making.

Our role is to decide whether brokers have acted fairly and reasonably. As the vast majority of the disputes we receive involve a broker introducing a consumer to a supply contract, we ensure that our dispute resolution executives have a good understanding of issues such as contract law – for example, assessing a consumer's capacity to enter into a contract, misrepresentation issues and unfair contract terms.

But our decisions take account of a range of other factors, including our deep understanding of the energy sector built over almost 20 years of experience, the regulatory framework, industry processes and procedures, examples of good practice, and a wider sense of what is fair.

Our case handlers receive training to help them make decisions which take account of all these factors, and we continuously refine and update our approach to resolving complaints.

# Takeaways from year 2 of the scheme

## Highlighting brokers who have successfully engaged with the scheme.

Feedback from brokers who have used our service shows that there are high levels of satisfaction with the ADR scheme (more information and insights from the research we conducted are shared later in this report), however, we're always looking for ways to improve and add value to this community. Most brokers who engage with our service display positive behaviour, such as:

- **Respectful exchanges with our colleagues**
- **Early identification of any support needs whilst using our Dispute Resolution Portal**
- **Providing a timely case file which includes comprehensive and relevant evidence which addresses each point of the dispute**
- **Timely implementation of the required remedies with evidence of implementation**
- **Proactive updates to consumers and our colleagues where there are challenges with timely remedy implementation**
- **Taking on learnings from cases which reduces detriment for consumers more widely and reduces costs for the broker**
- **Sharing constructive feedback on scheme developments**

## Areas of concern

We've seen some instances where brokers are offering to manage the consumer's energy affairs on an ongoing basis, agreeing a new contract on the behalf of the consumer each time their contract ends. This is potentially a useful service, however, we've encountered some issues. In some instances, consumers have complained that they didn't know they were entering into an ongoing relationship with the broker and are surprised when they find themselves entered into a new agreement with a supplier. In other cases, consumers have been unhappy with the contract the broker has agreed on their behalf, believing that a better deal could have been sourced.

We believe that brokers can reduce problems by communicating better with consumers prior to agreeing a new contract, e.g by providing advance notice of contract end dates, that contracts are being sourced and regular verification of consumer contact information.

We've been working with brokers to help them understand how they can improve and are pleased to have seen some improvements.

We're still seeing problems linked to the energy price crisis. We continue to receive significant numbers of complaints from people who agreed a contract in 2022 or 2023, who now feel they were misled into entering into contracts when prices were at the peak. In many cases, consumers believe they were mis-advised to sign up to a contract when it would have been better to wait.

We aim to help brokers to improve services to avoid complaints in the future. You can find example case studies in the appendix.



## Unprofessional conduct

Most of the brokers we come into contact with are professional and want to provide a great level of service to consumers. However, we've also witnessed some concerning behaviour:

- **We've observed threats by brokers discouraging consumers from using our service, warning them that if they complain they'll be charged our case fee. This isn't permitted under the rules of our scheme**
- **We've seen brokers provide evidence which has clearly been falsified, such as altered call recordings**
- **Within investigations, we've been provided evidence which shows brokers advising consumers how to try and exit a contract by falsely claiming a change of tenancy has occurred**
- **We've seen brokers advising consumers that they can exit the contract providing the supply period has not started, potentially exposing the consumer to claims against them**
- **We've seen brokers falsifying quotations from suppliers with the aim of making brokers' preferred supplier quote appear cheaper**

Such behaviour risks bringing the broker sector into disrepute. We won't hesitate in calling out such poor practice when we see it.

### Comments from consumers who have used our service to resolve their disputes with brokers:

- "The broker eventually admitted their mistake thanks to the Ombudsman. I didn't want revenge, I just wanted fairness, and this helped bring that."
- "By the time I contacted Energy Ombudsman I was so distressed... But boy, what a great service I received from my case handler – they calmed me down, explained the procedure, and kept me informed all the way."
- "It's not easy to admit a mistake, but talking to a person – not a robot – made it easier to explain why I raised my case."

## Improving services to consumers

### Clearly communicating the basis on which services are offered to consumers

The broker market is diverse, with firms offering distinct services and operating different business models. This can be good, giving consumers choice and encouraging innovation. But it can also cause confusion among consumers as to the basis on which the broker is acting. We've also seen examples of where the broker has overstepped the role they've offered to the consumer.

For example, we've seen cases where the broker has told us that they don't offer consumers advice about the energy market and instead are simply offering a contract from a supplier. However, when we've listened to the recording of the call, it's very clear that advice has been provided.

In disputes where the broker has advised the consumer on, for example, the competitiveness of the rates offered or the future outlook of the energy market, we'll take that advice into consideration when deciding what's fair and reasonable. In some cases, we've identified that brokers are making statements that they can't substantiate or justify. If, in our judgement, a consumer has based their judgement and entered into a contract on the basis of poor advice they've been given, we're likely to uphold the dispute in the consumer's favour.

We consider it essential that energy brokers clearly communicate the basis on which they're providing services to the consumer, and they then act in line with the agreed service offered.

### Understanding the consumer's needs

We've seen disputes where the consumer states that what was set out in the contract was different to discussions on earlier calls. To help brokers, we recommend summarising key points from previous discussions, either in writing or as part of an email accompanying the contract for signature. Some of the disputes we receive involve a consumer alleging that the contract a broker has recommended doesn't meet the needs of their business. In some of the cases, brokers find it difficult to demonstrate their understanding of the consumer's needs.

We think energy brokers should consider how they establish and record a consumer's energy needs prior to recommending a suitable contract. Establishing, for example, a business's intended level of usage, the times at which energy is consumed, any expansion plans etc – and then demonstrating how an energy contract is suitable to meet those needs – will not only help brokers respond to disputes, but also ensure the recommendations they are making are appropriate.

### Comments from consumers who have used our service to resolve their disputes with brokers:

"Although I didn't get the result I fully wanted, the explanation was clear and the resolution process gave me closure. The broker has since apologised."

## Enhancing broker engagement with our scheme

### Signposting

When a broker is unable to resolve a dispute, they should advise the consumer of the right to use our service. This should be done at the point of deadlock (when it's clear that the broker and consumer can't agree on the outcome of the dispute) or when the dispute has been ongoing for eight weeks without resolution.

It's vital that brokers make consumers aware of their right to use our service. Signposting consumers to our service is a mandatory part of the broker ADR scheme.

In every case we investigate, we ask the broker to confirm whether they've signposted the consumer to our service. We have seen some brokers on the scheme signpost 100% of their complaints to our service. In the first year of the scheme, brokers reported that they had signposted in **only 5% of disputes**. In the second year, this **increased slightly to 8%**. However, the rate of signposting is far below what we would hope it to be and may mean that significant numbers of consumers are unaware of their right to redress.

### Some brokers aren't providing sufficient evidence to support their version of events

When we start to investigate a dispute, we ask for evidence from the consumer and the broker to help us understand what's happened and to allow us to decide what's fair and reasonable. We expect both parties to provide all the relevant evidence they have in their possession and, if one of the parties decides not to provide evidence, that might be taken into consideration when we make our decision.

Where relevant, brokers should provide us with call recordings and information they've provided. Where advice has been given to the consumer, brokers may wish to present evidence to demonstrate that this advice was sound.

In most cases, once our decision has been made, there's no further opportunity to provide evidence. For this reason, it's important that brokers submit all the evidence they have in their possession when we ask for it.

### Abiding by the schemes rules

We expect all brokers to comply with the rules of the scheme. This includes signposting consumers to our service if a dispute can't be resolved within eight weeks, implementing our remedies, paying case fees and treating our colleagues with courtesy and respect. Unfortunately, we've had to remove a number of brokers from the scheme for failing to abide by our rules. We only remove brokers as a last resort, but it's important that everyone adheres to the scheme rules.

## Sector engagement

### Insights from a survey of brokers

Leveraging our insights to improve the sector is a crucial aspect of our role as an ombudsman. With over 1,800 brokers on our scheme, we have a unique opportunity for insight on the sector. To gain a deeper understanding of the current issues and challenges facing brokers, we conducted research to capture experiences and views on the energy sector. The survey included areas such as regulation, ADR experiences, and potential areas for improvement.

Brokers were highly engaged with the survey, providing valuable insights. Some of the highlights of the survey were:

- **High levels of satisfaction with the ADR scheme:** Brokers found the scheme helpful in getting disputes resolved on behalf of their consumers with suppliers. Our colleagues are seen as helpful and supportive for those who had experienced using the scheme. For those who hadn't, the existence of the scheme provided reassurance to them and their consumers
- **The introduction of regulation was seen as good for the sector overall:** While 25% identified regulatory change as one of the most significant challenges for their business in the next 12 months, more than half said that regulation would help their business, viewing it as essential for improving transparency and creating a fairer energy market overall. Many felt it would raise overall industry standards and that it would get rid of 'bad brokers' and 'bad players' who taint the whole sector. Regulation was also seen as a way of building trust in the sector and improving transparency
- **Most challenging issues for brokers:** 46% of respondents cited volatility of energy prices as the most challenging issue for their businesses across the next year. Brokers also mentioned that they sometimes encounter issues with energy suppliers, such as proving their authorisation to act on behalf of the consumer or convincing the supplier that a change of tenancy has occurred. Some brokers told us that they'd like to improve relationships with suppliers for the benefit of consumers

### Insights from a survey of brokers (Continued)

- **Navigating broker services:** The comments from brokers in the survey demonstrated, in many cases, a desire to do their best for consumers. There was a genuine commitment to providing the best deals and high levels of service. The complexity of the sector and the differences in offerings across brokers often create difficulties for consumers to navigate and understand. Some brokers engage with suppliers solely on the energy contract, while others provide a more comprehensive, full-service approach. Many brokers also commented on long-standing relationships with their consumers spanning over 20 years, which they felt demonstrated their commitment to delivering for their consumer

The survey comments frequently highlighted a strong desire to excel in serving consumers. Many respondents demonstrated a genuine commitment to providing exceptional service and maintaining high standards.

ADR is a vital part of the solution to many of the challenges facing energy brokers today. As regulation continues to evolve, ADR will play an even more important role in ensuring that brokers, suppliers and consumers are treated fairly when issues arise. By improving awareness and accessibility of ADR services, we can support a more balanced and fair energy market where disputes are resolved appropriately and trust in the sector can be restored.

The insights from the research will enable us to enhance our service, and drive sector-wide improvements.

### Small business remit extension

In 2024, the Government announced that our remit would be expanded to allow small businesses – those who employ less than 50 employees or who qualify because of their energy consumption – to use our service. We've been working hard this year to get ready for the extension in remit to make sure we can effectively handle disputes from small businesses.

### Some of our key areas of focus include:

- **Dedicated team expansion:** We created a new regulatory team made up of people with a background in non-domestic energy, and have increased the legal and regulatory support provided

- **Stakeholder engagement:** We met with a range of stakeholders, including energy brokers and suppliers who provide services to small business consumers, to understand more about the challenges they face and the types of disputes we're likely to receive
- **Operational set up:** To ensure the scheme meets the needs of consumers and suppliers, it follows a similar process to our microbusiness consumers, where one case handler is responsible for the management of the case from the initial contact to the delivery of the relevant outcome. We've also provided new training to the team to equip them to consider disputes from small businesses
- **Forecasting case volumes:** We've assessed potential volumes by modelling projected numbers, using insights from microbusinesses that use our service as well as taking intelligence and insights, shared by multiple stakeholders, into account
- **Improved reporting and analytics:** We've developed robust reporting mechanisms to track key performance indicators, identify trends, and measure the effectiveness of our efforts. This data-driven approach will inform continuous improvement initiatives





### Engagement with the broker sector

We're proud of the work we do, but we're always looking to develop and improve. Therefore, we wanted to engage with stakeholders to gain their views and help shape the service we offer. As part of this engagement, we ran a roundtable event that included a diverse group of brokers from around the UK.

The event provided an opportunity to explore ways to strengthen our engagement with brokers and ensure our service meets the needs of all stakeholders. During the session, we discussed brokers' experiences with our service, gained insights into key sector challenges, and reviewed the potential implications of TPI regulation.

The discussions were both constructive and challenging, with a wide range of perspectives shared. It was great to hear the support for our service within the broker community, as well as some suggestions for how we can improve what we offer.

We're going to continue to engage with the sector in the coming year, to share insight and help brokers respond to disputes effectively.

If you'd like to get involved in future engagement activities or suggest topics for discussion, you can reach out to us at [energybrokers@energyombudsman.org](mailto:energybrokers@energyombudsman.org).

## Consumer feedback on our service

We ask for consumer feedback at various points in the dispute journey so we can learn and improve the service we offer.

What consumers tell us they like most about our service:

### Human interaction and empathy

We regularly receive frequent praise for our case handlers. Consumers tell us they appreciate real people picking up the phone, showing empathy, listening and explaining things clearly.

### Straightforward and easy process

Many found the dispute process intuitive, the dispute resolution platform easy to use, and uploading evidence clear.

### Quick and responsive service

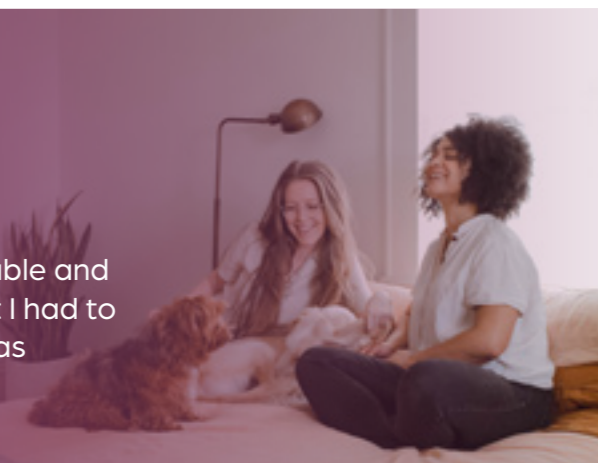
A large number of users said they got quick responses, call-backs and felt heard.

### Resolution of distressing issues

Consumers often mentioned months of stress before reaching our service, followed by relief and gratitude for finally getting help, sometimes after brokers ignored them for weeks.

### Comments from consumers who have used our service to resolve their disputes with brokers:

"My case handler was caring, knowledgeable and efficient. He made sure I understood what I had to do next and helped check my evidence was uploaded correctly. Very reassuring."



## Areas consumers tell us could be improved

### Broker remedy implementation

- Even when decisions are made in consumers' favour, some brokers fail to comply, or delay actions

We can't understate the importance of timely remedy implementation as it helps build trust with consumers. This will continue to be a focus area for us next year.

### Dispute Resolution Platform usability issues

- Several users had trouble uploading evidence

We're always happy to support brokers and consumers using our service. Our Dispute Resolution Executives (DREs) are available to assist and guide them through the process. We'd encourage them to reach out to us for help if problems arise. We're also working on improving the system to make it more user-friendly.

**We continue to monitor user experience through our Consumer Experience programme so we can improve the service we offer.**



# Looking forward

**There were significant changes to the broker market in 2024, as Ofgem and the Department for Energy Security and Net Zero (DESNZ) continued their commitment to enhancing market transparency and consumer protection in the energy sector.**

We were pleased to submit our response in the DESNZ consultation on regulation of brokers in the retail energy market. Although there's some concern on its potential impact, we understand from the feedback we've received from brokers that they support regulation, and we believe it will provide a more professional and ethical market as well as greater clarity for brokers, suppliers and consumers.

We look forward to the several measures being introduced by Ofgem to improve market clarity and protect energy consumers. For example, starting from 1st October 2024, energy suppliers must disclose any third-party costs, such as broker commissions, in their contracts. This applies to all consumers, regardless of size, and aims to provide clearer information on the costs associated with energy contracts.

The third year of the scheme will be another year of change as our remit extends from 19th December 2024 to allow small businesses to use our service. This year we've made substantial improvements to our organisational capability to effectively support the upcoming non-domestic remit extension. These strategic enhancements are designed to ensure a seamless and efficient process for all involved. Being able to provide this service to cover 99% of all businesses in Great Britain allows us to build trust in the sector on a bigger scale.

The findings in this report reflect our perspective following the second year of the scheme. We welcome feedback from both microbusinesses and brokers on their experiences with the scheme. Please share any comments with us at [energybrokers@energyombudsman.org](mailto:energybrokers@energyombudsman.org).

# Appendix – common dispute themes

Many of the disputes we see are about contracts sold during the energy crisis when energy prices were at their peak. Below, we highlight three recurring themes of disputes that emerged in year 2.

## 'Blend and Extend' contracts

This year, there's been a noticeable rise in disputes concerning blend and extend contracts and how they've been marketed to microbusinesses. A blend and extend contract involves renegotiating an existing agreement, typically established during periods of higher market rates, to reduce energy costs by extending the contract term. Under this arrangement, the new rate is calculated as a blend of the original contracted rate and the current market rate, with an extension of the contract for an additional 12 to 24 months.

It's important to note that the blended rate may not match the prevailing market rate – it's likely to be higher, as it incorporates the original rate.

This contract type has provided flexibility to microbusinesses locked into high-rate contracts during the market's peak, enabling them to benefit partially from subsequent price drops. However, we've identified several recurring issues:

- **Misleading impressions:** Microbusinesses have reported being led to believe that renegotiated rates would align with the prevailing market rates, which is not the case.
- **Exclusivity claims:** Some brokers have incorrectly suggested that blend and extend contracts are exclusive to their brokerage or are part of the original agreement, rather than a renegotiation option offered by certain suppliers.
- **Unrealistic promises:** There have been instances where brokers have claimed they can lower prices before the original contract even goes live, which is both misleading and unachievable.
- **Inconsistent communication:** The process and implications of blend and extend contracts have often been poorly explained, leading to confusion and unmet expectations among microbusinesses.

As with any contract sale, energy brokers must provide clear, accurate, and upfront explanations of how blend and extend contracts work. It's essential to clarify that the blended rate won't align with market rates and to ensure that microbusinesses fully understand the terms before making a decision.

In upheld disputes, brokers often failed to provide evidence of discussions with consumers or to set clear expectations about how the product functions. Many microbusinesses involved in these cases indicated they would have chosen differently at the point of sale had they been properly informed of the contract's implications.

By improving transparency and consistency in communication, brokers can reduce disputes and support microbusinesses in making well-informed decisions.

## Case study

### The dispute

The microbusiness reported that a broker contacted them in 2022, ten months before their contract renewal date. They expressed concern about locking themselves into a long-term contract when prices were at their highest. The broker told them that if prices reduced significantly, they would be able to renegotiate the contract on a blend and extend basis, so they wouldn't miss out financially. They were also advised that not proceeding with the renegotiation at that time would have several financial consequences. The microbusiness felt pressured over the phone and via email to accept the contract.

Despite raising a complaint, they received no response. It was only after escalating the issue to us that the broker offered a revised contract extending the agreement until 2029. The microbusiness requested contract cancellation, stating they wouldn't have agreed to it had they been fully informed of the terms.

### Our review and findings

Our review found that the microbusiness entered the contract based on how the broker presented the market outlook and the blend and extend option. The broker reportedly assured them that if market prices fell, they could renegotiate their rate in line with market rates at the time. However, when the microbusiness later requested this renegotiation, they discovered that the quoted rate was significantly higher than the prevailing market rates.

Upon review, the broker didn't provide call recordings, so our decision was based on the available evidence, including the microbusiness's testimony.

The microbusiness also complained that they were told delaying their contract renewal would result in significantly higher rates, potentially reaching £1 per kWh. While the energy market in 2022 was highly volatile with rising prices, we found no verified industry reports supporting the claim that rates would exceed £1 per kWh in Q1 and Q2 of 2023.

The microbusiness provided several emails from the broker in 2022, in which they used strong and persuasive language, emphasising that securing a contract immediately was in their best interest. We concluded that the microbusiness agreed to the contract based on the broker's assertion that rates would continue to rise, and that delaying renewal would result in significantly higher costs.

## Case study (Continued)

### Blend and extend issue

The energy broker claimed to have sent a brochure explaining the blend and extend option. However, we didn't find this sufficient evidence that the contract terms were adequately explained during discussions with them.

Email evidence showed that in December 2023, when the microbusiness enquired about using the blend and extend option, they believed it would adjust their rate to align with market prices. Their rejection of the offer was based on their understanding at the point of sale that the contract would provide a lower rate reflecting market trends. This supported the microbusiness's claim that the blend and extend option hadn't been properly explained before they agreed to the contract.

### Final decision

Based on the evidence, we concluded that the microbusiness entered the initial contract based on misleading claims about their rights to renegotiate the contract if prices fell. We concluded that had the consumer been provided with accurate information about the contract, they may have acted differently – for example, by delaying their contract renewal or agreeing a shorter-term contract. We required the broker to compensate the consumer for the loss they suffered.

### Impact of contract variations and terms

We've also seen disputes where the consumer hasn't been made aware of important contract terms, such as the supplier's right to increase a fixed tariff during the contract period. Many have raised disputes, claiming they weren't informed of these terms prior to signing the contract and feel they may have chosen a different supplier had they been made aware beforehand.

While we advise microbusinesses to thoroughly review contract terms and conditions, brokers representing suppliers must take responsibility for ensuring that the key terms are clearly communicated before any agreement is finalised. These key terms should include any clauses that could notably impact the microbusiness' decision. Energy brokers must fully understand the contracts they sell and proactively inform microbusinesses of any significant terms that could impact their choice. Clear communication is essential to helping consumers make informed decisions and reducing the risk of disputes in the future.

## Case study

### The dispute

The microbusiness raised concerns that the broker didn't inform them before agreeing to their contract that the supplier could increase the "fixed" rate of the contract during the three-year term.

Part way through the contract, the supplier notified the microbusiness of a rate increase because wholesale prices had increased significantly. The microbusiness stated that, at the time of agreeing the contract, they believed they were entering a fully fixed-price contract with rates that couldn't change.

The broker responded that the microbusiness had reviewed and accepted the contract, which included abbreviated 'Terms and Conditions'. These terms referenced additional conditions available on the supplier's website, and consumers were directed to review them.

### Our review and findings

Upon review, we found that while the 'Terms and Conditions' were provided to the microbusiness, this occurred after the contract had already been agreed upon and locked in by the supplier. Since business energy contracts typically have no cooling-off period and are generally non-cancellable, this timing was significant. It was clear that the microbusiness believed they were entering a contract with fully fixed rates for the entire term.

We determined that the supplier's ability to change rates under exceptional circumstances due to wholesale price increases is a principal term of the contract, as it affected the headline description of the tariff as being fixed, and which operated in a different way to many other fixed rate contracts on the market. We therefore concluded that the broker should've clearly communicated the term before the agreement was made.

Energy brokers are expected to fully understand the contracts they sell and inform consumers of key terms before finalising an agreement. The 'Terms and Conditions' confirmed that the supplier had the right to adjust rates under exceptional circumstances.

### Final decision

By failing to disclose this critical contract term, we concluded that the energy broker didn't provide the microbusiness with essential information that could've influenced their decision to enter into the contract. Given that the full details weren't made clear at the point of agreement, and the microbusiness might have chosen differently, we required the broker to reimburse the difference between the original contract rates and the increased rates billed by the supplier until the contract's end.



## Clarifying the role of the broker

In some instances, there's uncertainty about the role of the energy broker and whether offering advice to microbusinesses falls under their attributions. While many energy brokers include clauses in their agreements stating that they don't advise consumers, our review of recorded sales calls indicates that the information the consumer receives amounts to advice. This area remains largely unregulated, with no clear guidelines defining the level or type of advice brokers are expected to provide.

Brokers aren't required to offer advice, but if they choose to do so, it must be accurate and well-supported. Misleading or incorrect advice could result in a microbusiness entering a contract they might have otherwise declined.

There have also been cases where energy brokers have overstated their role, potentially leading to confusion. When disputes arise, some brokers have later disputed claims about the level of service they originally committed to providing.

### Case study

#### The dispute

In 2022, the microbusiness entered into a fixed three-year contract based on the broker's advice that energy prices would continue to rise. The microbusiness questioned the advice as they were concerned about being locked into a long-term contract when prices were high. The broker assured them that this was the best option at the time, informing the consumer that the consensus among industry experts was that prices wouldn't drop below current levels for several years. The microbusiness stated that no alternative options were provided and, as energy prices began to fall in 2023, it became evident that they were locked into high rates for an extended period.

The energy broker argued that their advice was reasonable at the time and denied presenting themselves as industry experts or guaranteeing their expertise. They maintained that the decision ultimately rested with the consumer and that they operated solely as independent introducers.

#### Our review and findings

Our review of call recordings revealed that the broker only discussed three-year contracts and didn't offer quotes for other contract terms. The microbusiness had enquired about a one-year contract – an option available from their existing supplier – but the broker dismissed it, insisting that prices would continue rising for at least the next two to three years.

Predicting future energy prices is an inexact science and we wouldn't criticise a broker simply because the outlook on the energy sector was later proven to be inaccurate. However, we were of the view that the impression given that all industry experts believed prices would continue increase couldn't be justified – most of the analysis we were aware of predicted that prices would reach their highest point in late 2022/early 2023 and would then start to steadily decrease.

We therefore concluded that the microbusiness had been misled into agreeing to the contract and had placed trust in the broker's guidance.

#### Final decision

As a remedy, we required the broker to provide a credit for the difference between the agreed rates and the rates available for the last two years of the contract. This was based on the likelihood that, had all options been properly presented, the microbusiness would have chosen a one-year contract instead.



# Energy Ombudsman

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