

BUSINESS ENERGY SCAMS

What you need to know



NUISANCE CALLS FROM ENERGY BROKERS

At Boxfish, we are all too aware that businesses are being inundated with phone calls and emails from energy brokers offering 'cheap rates' and 'exclusive tariffs' for their energy contracts. The sad truth is, these promises often do not align with what they actually get.

This is because **energy brokers are not regulated by OFGEM** (the energy regulator). There is no set of rules by which they operate, and they aren't held to any standards. Because of this, the number of energy brokers in the UK has skyrocketed to around 3,000 – as they face virtually no regulation, despite the large sums of money at stake.

This has also led to some very questionable practices in terms of standards of service and charging. According to The Guardian, **rogue energy brokers con small businesses out of a staggering £2bn a year** – with some individual firms seeking payouts of up to £1m.

**'Rogue energy brokers
con small businesses
out of £2bn a year'**

Jan 2020, Guardian

KNOWING THE GOOD FROM THE BAD

Not all brokers are guilty of mis-selling, and plenty are entirely honest about their charges. They'll give you the option to pay an up-front fee, or they'll offer to take payment from the supplier. These brokers will explain how the commission is calculated, and they'll tell you that your unit charge will increase by the amount of that commission.

But there are far too many brokers who do not operate this way. A large percentage make misleading statements about how they are paid, and why they are recommending certain deals or suppliers. This is often driven by financial motives, meaning they do not have the best interests of their clients at heart. **This can cost businesses thousands of pounds.**



LATEST SCAMS IN BUSINESS ENERGY

1 Brokers sometimes suggest their service is 'free' or that they are paid an 'introducer's fee' by the supplier. Typically, most brokers receive their commission directly from the supplier they place you with, and it is built into the unit price they arrange for you – which means it is ultimately paid for by you. This is often not disclosed to the customer.

2 Brokers may suggest that they are part of large buying group and have access to exclusive or below-market rates. In fact, the opposite may be true – they might only refer you to the suppliers who offer them the most favourable commissions.

3 Brokers might put you on a pass-through contract without explaining the associated risks (compared to less risky fixed price contracts). Pass-through contracts have lower initial costs than fully fixed contracts, but they allow suppliers to pass on third party charges – which means costs can go up during the term of your contract.



QUESTIONS TO ASK AN ENERGY BROKER

1. HOW DO YOU CHARGE FOR YOUR SERVICE?

Different brokers charge in different ways. Some charge you a one-off fee directly; others include their commission in the rate they offer you from the supplier.

Brokerages should be transparent about how they are paid. If you are led to believe the service you are being offered is free, or that the broker is paid by the supplier, walk away.

Other brokerages refer to a vague 'small percentage' of your energy costs. But remember – if you have a big spend on energy, then a small percentage can be a large amount of money. For example, for a 2-year energy contract, if a broker includes 1p/kWh in your tariff on an annual consumption of 500,000 kWh, the total commission paid to the broker will be £10,000.

2. ARE YOU QUALIFIED TO DELIVER THE SERVICE I NEED?

Research your broker. Look past the marketing and try to find out who owns them, who works for them, and what relevant experience their core staff can offer.

Lots of people have energy experience – but relatively few have the experience to effectively deliver specialist tasks for your business, such as advising on complex products and hedging strategies.

3. ARE YOU INDEPENDENT? HOW MANY SUPPLIERS DO YOU WORK WITH?

An independent brokerage has the opportunity to work with a wide range of energy suppliers and negotiate the best possible terms on your behalf. The broker will obtain bids from various suppliers and offer a summary of recommendations, without showing bias for any one particular option. Make sure that you ask your broker about the number of suppliers they will be consulting, and make sure you see evidence that they have.

4. HOW WILL YOU HELP ME MAKE AN INFORMED DECISION?

Make sure your broker presents supplier offers in a way that lets you compare like for like – not just on presented price, but also on contract terms and conditions, pros and cons, and so on.

You will want your broker to present prices in a way that includes all likely charges, as they may otherwise standardise estimates of difficult-to-forecast 'pass-through costs', such as renewable energy incentives.

5. WHAT EXACTLY ARE YOU SELLING?

Ask to see a Service-Level Agreement (SLA), illustrative contract, or similar document that explains what services your broker is offering, over what period, with a list of any associated charges.

These charges should reflect the amount of support they plan to provide during your contract. For instance, a sophisticated service package may require support from various experts across the entire contract lifetime; whereas the basic service could involve one person calling two suppliers and requesting them to quote as a one-off activity.

Also, you may not need or want your broker to handle the entire procurement process for you. Many customers will seek out individual services, such as bill validation.



NEED ADVICE? JUST ASK BOXFISH

If you think you've been mis-led by an energy broker, the Boxfish team can help to release you from mid-sold contracts and claim back hidden fees.

We are fully transparent about our own fees, which are always agreed with you up front. **That means there are no hidden fees or commissions, ever.**

If you've got questions in the meantime, give us a call on on **0141 226 8525** or drop us a message via **hello@businessenergydisputes.com** – and we'll even offer you a free, no-obligation review of your utility costs to give you peace of mind.



GET IN TOUCH

Call us: 0141 226 8525

Email us: hello@businessenergydisputes.co.uk

Visit us: businessenergydisputes.co.uk

Linkedin: [businessenergydisputes](https://www.linkedin.com/company/businessenergydisputes)