YEARS YOUNG
YEARS STRONG

BEUC The European Consumer Organisation

The Consumer Voice in Europe

Ms Mairead McGuinness, Commissioner
Ms Kadri Simson, Commissioner
European Commission

By email:
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11 October 2022

Subject: Suggestion to introduce moratoria in the energy and financial sectors

Dear Commissioner McGuinness,

Dear Commissioner Simson,

The dramatic rise in electricity and gas prices means there is a risk that millions of consumers may not to be able to pay for their energy bills and may see their supply cut off in the coming months. This comes at the same time as an increase in interest rates for mortgages and consumer credit as well as general price increases for essential goods and services, such as food.

Considering the magnitude of these price increases, it is not only low-income consumers who risk being unable to pay for their bills and repay their loans anymore, but also many middle-income ones.

The European Commission proposal to redistribute the energy sector's surplus revenues to consumers will be a vital relief for many households, but risks coming too late to pay the next energy bills. Therefore, immediate measures are needed to prevent disconnections from heating and electricity during this winter. Otherwise, consumers might default on existing credit agreements or have to take out more credit just to pay for their energy bills. This creates a risk for consumers, spilling over from energy debt into credit.

During the COVID-19 pandemic, in most countries, measures were put in place to guarantee that consumers who had lost their jobs continued having access to energy[1] and had flexibility for the payment of energy bills and repayment of loans[2].

We therefore would like to recommend the European Commission to propose:

1. A temporary ban on disconnections from heating and electricity

Millions of consumers will not be able to pay for their energy bills this winter and they fear that their supplier may cut their energy supply, putting their health and wellbeing at risk.

Disconnections should be suspended this winter, to ensure that consumers continue having access to energy supply to satisfy their basic needs.

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[1] ACER/CEER, Market Monitoring Report 2019, Energy Retail and Consumer Protection Volume (Volume 3), October 2020, p. 14-16.
[2] European Banking Authority, First evidence on the use of moratoria and public guarantees in the EU banking sector, November 2020

2. A moratorium on the payment of energy bills

As energy prices are expected to decrease as Europe reduces its dependency on Russian gas, and hence bills return to acceptable levels, flexibility in settling energy bills this winter would allow consumers to overcome this crisis.

This flexibility will avoid a risky situation where consumers settle their energy bills by transferring their debt to consumer credit (e.g., over-drafting their bank accounts) leading to an additional increase in costs in the form of interest rates. To pay for their energy bills, consumers may decide not to pay for mortgage or loan payments, or to sign up for potentially unfair lending practices, such as Buy Now Pay Later, to pay for their essential needs. So far only Belgium and Denmark have announced plans to allow consumers to delay payments of their electricity bills.[3]

This flexibility may take the form of:

a. A temporary suspension of the payment of energy bills without additional costs for late payments,
b. Allowing households to settle already existing and new debts in instalments, with no interest rate and no additional fees,
c. Emergency top-ups for households with pay-as-you-go meters, also allowing for the settlement of the top-up in instalments.

A moratorium would also be beneficial for energy suppliers. It would avoid lengthy and expensive debt recovery processes that they would need to initiate when consumers are unable to pay their energy bills.

While flexibility in paying energy bills provides an important immediate relief to households, direct income support measures are needed for vulnerable consumers for whom the accumulation of energy debt will likely lead to over-indebtedness.

3. A moratorium for the repayment of loans

Loan moratoria have proven very effective during COVID. As of June 2020, a nominal loan volume of €871bn was granted EBA-compliant moratoria on loan repayments, comprising around 6% of banks' total loans.

The current combination of increasing interest rates and a steep risk in costs for all essential needs, namely energy and food create the risk of default. Consumers with variable interest rate mortgages or loans will see an increase in the amount of their payments. In addition, as the cost of all goods has increased, consumers will likely take on additional credit. To prevent an increase of non-performing loans, consumers need more flexibility to repay their loans without additional costs (e.g., increased interest rates).

The moratorium may include:

a. A reactivation of the EBA guidelines on legislative and non-legislative payment moratoria,[4]
b. Further guidance on limiting the costs of payment moratoria for consumers.

Lastly, we invite the European Commission to **organise a roundtable discussion among relevant stakeholders**, including consumer organisations, energy regulators and energy utilities, to discuss what measures are needed to help consumers get through the winter. BEUC is already engaging in discussions with industry to develop concrete proposals to policymakers.

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[3] Bruegel, National policies to shield consumers from rising energy prices, September 2022.
[4] European Banking Authority, Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis, April 2020.

As a possible source for inspiration, we would like to refer to the COVID-19 crisis, where DG FISMA organised roundtables with relevant stakeholders to identify relief measures to support consumers and businesses.[5] This experience brought tangible results,[6] hence could serve as a model to develop policies to help consumers in the context of the current crisis.

We highly appreciate your recognition of the extraordinary circumstances in which all consumers across Europe find themselves and look forward to engaging with you and your services on these issues, for example during the upcoming Citizens Energy Forum in Dublin.

Yours sincerely,

Monique Goyens
Director General

C/c: This letter is shared for information with Commissioner Reynders and François-Louis Michaud, Executive Director of the EBA.

[5] For further information, Speech by Executive Vice-President Valdis Dombrovskis at the roundtable meeting with financial sector, consumers and business on COVID-19 relief measures, May 2020.
[6] European Commission, Stakeholder dialogue outcome – Best practices in relation to relief measures offered to consumers and businesses in the context of the COVID-19 crisis, July 2020.