

Direct Debit Explained

Intro:

Lots of people have questions about direct debit, so we've produced this quick guide to help answer them and explain how it all works.

Why payments can change:

The first thing to point out is that unlike some other direct debit household payments, such as council tax and home insurance, your direct debit with us really depends on how much energy you use which, as we all know, varies.

Think about it for a second. If you replace or upgrade your household appliances, like a boiler or gas fire, the amount of energy you use is bound to change. The same goes for the number of people in your home. As they come and go, your energy use will rise and fall. Then there's the energy prices themselves. If these go up or down, perhaps because you have switched to another energy package, that's probably going to affect your direct debit payments too.

To help you keep on top of any changes, we regularly review your payments – every 3 months or so – and conduct a full annual review at the end of your payment year. By doing this, we aim to ensure that your payments continue to match your energy use and that you never end up with too much credit or debt on your account.

Sometimes you may find that your direct debit payments have increased when you're account is actually in credit. The reason for this will be because when we review your payments against you're usage, we calculate what your payments should be based on your annual usage, and not just the current balance. So if it seems that your annual usage is greater than we anticipate, we believe you would need to pay more each month to cover your actual annual cost.

How we work out how much you should pay:

When forecasting your payments for the next 12 months, we take several factors into account. These include:

- How much energy you've used in the last 12 months;
- Any changes to your product or prices since your last review;
- Your prices and any other energy charges; and
- Any discounts you're entitled to.

We'll also look at the existing balance on your account, whether in credit or debit, and offset this against our estimate for the next 12 months.

It's not an exact science but actual, rather than estimated, meter readings can make a big difference to the overall accuracy. That's why it's important you provide us with regular meter readings. You can take them as often as you like, but providing us with an actual meter reading at least once every three months should mean that your account is as accurate and up to date as possible. If you're

an online energy customer, you can provide your meter readings by logging onto your account at www.scottishpower.co.uk

If Prices change:

Customers often ask us what happens if the unit price of their energy changes. Well, just because energy prices go up or down, it doesn't necessarily mean that your payments will follow suit.

If you're using less energy, for example, your payments may go down even if prices have gone up. Likewise, if you start using more energy, your payments may go up even if prices have come down.

If you're on a fixed or capped price product, although your unit prices are guaranteed not to increase above the fixed or capped rate for the length of the agreement, your direct debit is reflective of your usage. This means that if your usage increases, we may need to increase your payments to cover that additional usage.

To help you budget, we try to keep your payments smooth over the year, so that they are at a similar level. Because of this, you may see your account start to build up a credit over the summer months when you use less energy. This helps to cover any higher usage over the colder winter months.

If you're in credit:

If you're in credit by more than 3 months' worth of direct debit payments by the time your annual review comes round, we'll automatically refund the credit amount to you. If you have less than 3 months' worth of payments, we'll factor this into your forecasted payments for the coming year.

Up or down, whenever your payments need to change and for whatever reason, we'll let you know in advance.

What's more, if your account has a credit balance at the time of your next annual review, we may actually give you money back. ScottishPower will pay you £1 for every full multiple of £33 above a minimum credit value of £100. That's £1 if your credit balance is £133, £2 if it's £166 and so on, right up to the maximum payout of £12 for a credit balance of £496. We're the only energy company to currently offer this kind of bonus.

Ending:

We hope that's been of use. If you have any more questions, please consult our virtual assistant 'Katie'.