



Stopping the spiral:

UK household energy debt and how to solve it

UK energy debt in numbers

£7bn

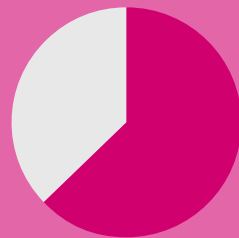
total value of UK households' energy debt by end 2027 if current trajectory remains unchanged.

£1bn total value of UK household's energy debt in Q1 2018, according to Ofgem figures.



£4.8bn

amount owed in first quarter of 2026, according to Ofgem figures.



63%

of indebted customers have owed money to their suppliers for more than a year.

£996

amount owed by the average indebted UK household – up 21% year-on-year.



71%

proportion of indebted customers with no payment plan in place. On average these customers owe £1,982.



Foreword

The UK public is on course to owe an unsustainable amount of money to their energy providers. This situation is unfair: people unable to pay have more debt loaded on to them; people who can pay are forced to cover the debts of others.

This report looks at some of the reasons for this unprecedented debt build-up, then discusses some of the principles behind any response.

Baringa conducts debt benchmarking work, examining the books of energy companies who together supply roughly four-fifths of the country's households. All statistics come from this work, unless otherwise indicated.

UK household debt is a situation with no winners. The poorest households suffer increasing stress. Others suffer unnecessary additional financial burdens. Society and the environment suffer an opportunity cost as the debt pile increasingly distracts from decarbonising the energy system.

At a broad level, the solution to the challenge is clear.

As a society we should implement it.



James Cooper

Partner, Baringa

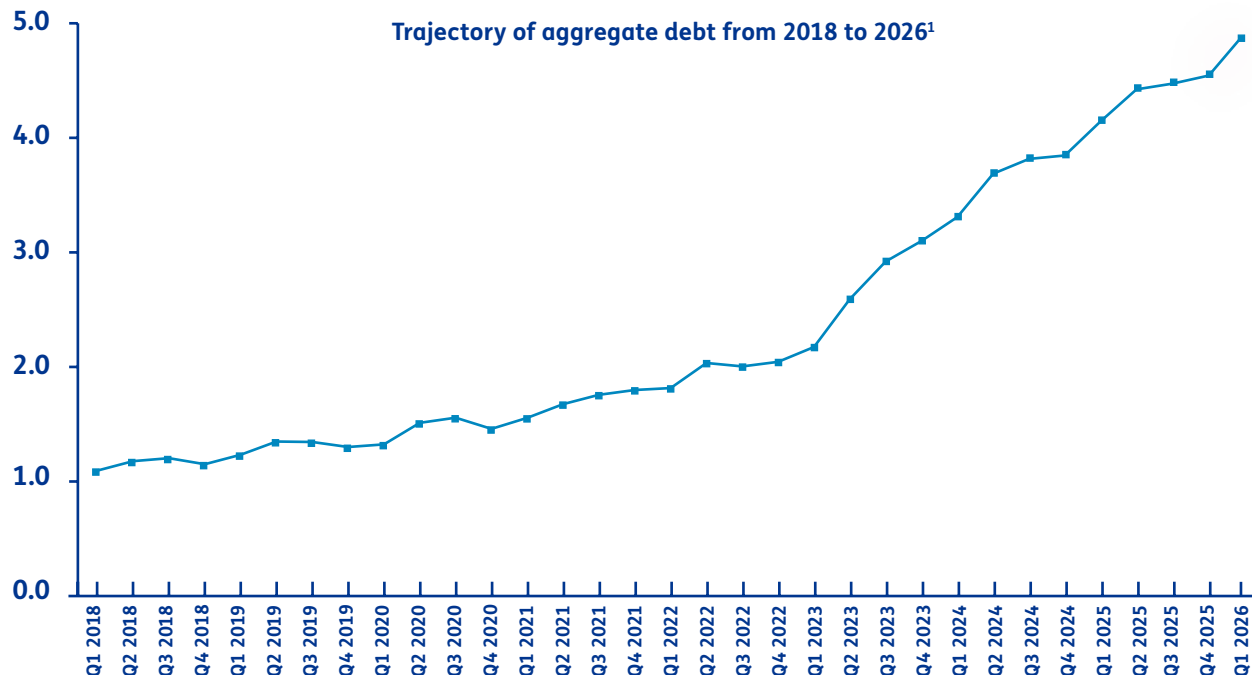
Debt build-up

Before the pandemic, UK household's combined debt to energy companies hovered around the £1 - 1.5bn mark. From the end of 2020 onwards, this figure has risen consistently and often steeply, reaching £4.8bn in Q1 2026 according to Ofgem. Baringa's modelling indicates this figure will continue to rise and debt could reach **£7bn** by the end of 2027.

The effects of this debt

Outstanding debt risks a downward spiral. In the second quarter of 2026, on average every household paid a weighted average of £59 within their annual energy bills to cover debt-related costs. If the total debt rises to £7bn as predicted, the average cost for households could rise to £100. **This increase will tip further people into debt.**

“Society and the environment suffer an opportunity cost as the debt pile increasingly distracts from decarbonising the energy system.”



Why is the debt building up?



People who cannot afford to pay

These are the key victims of the debt situation, and those meriting **most attention and support**.

Baringa's modelling indicates that over the winter of 2025-26, 2.3 million UK households (8% of the country) were in "extreme vulnerability", meaning they did not have the means to pay for their essential outgoings, which would include their energy bills². In addition, 4.6m households (16% of the country) were "financially vulnerable", meaning they could cover their costs but with no buffer, liable to being tipped into unsustainable debt by any unexpected financial shock.

This cohort is by far the largest of the three main categories of debtors. When households such as these fall into debt, there is typically no way for them to get out. Merely increasing the sum they owe achieves nothing other than to increase the stress they feel.



Debts run up due to industry process challenges

Not all debts are directly due to inability or refusal to pay. The second largest category of debts is due to sub-optimal processes. For example, in many countries, during a changeover of a property's tenants, it is not possible for incoming tenants to access electricity or gas without first registering themselves as the property's inhabitants.

This stipulation means it is always clear who is liable for any money owed. In the UK, change of tenancy situations can be ambiguous, with uncertainty who used energy during changeover periods. This often results in debts which are never repaid.



People who can afford to pay, but do not

When comparing credit checks against the number of households who have fallen into energy debt, it is clear there is a gap. In other words, while the problem of people who cannot pay their bills remains real and is of paramount importance, there remains a cohort of people who can pay but do not. **They represent the third-largest of the three main drivers of retail energy debt.**

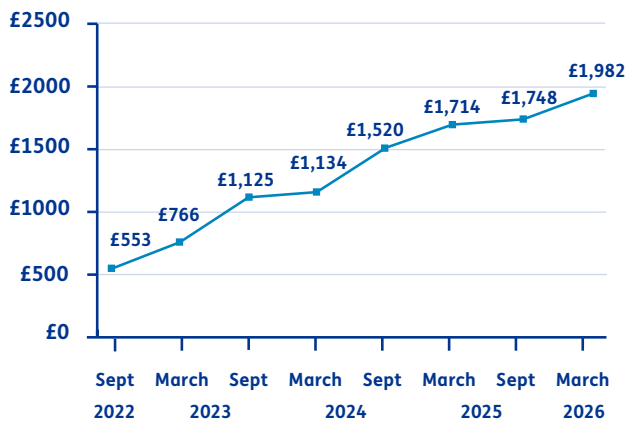


Analysing the UK's debt pile



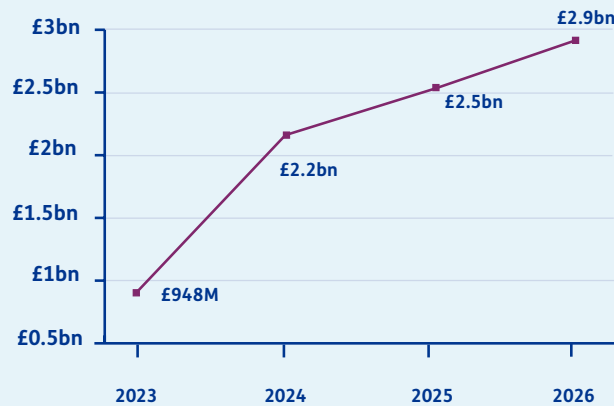
Debt for which there is no payment plan in place

If no plan has been agreed between an energy company and a customer, the debt is less likely to ever be repaid.



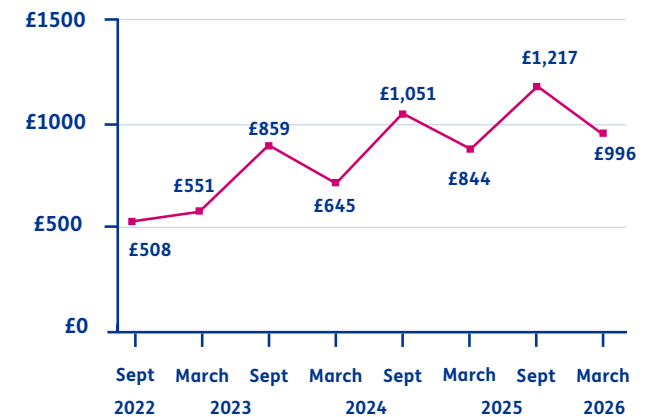
Debt which has been on the books for more than one year

Debt which has remained for more than twelve months is likely to be due to a long-term, irretrievable financial issue, and will never be paid back.



Debt owed by debtors

The average amount owed by people in debt, has risen consistently.



Solving the problem



People who cannot afford to pay

These households require financial support, both to cancel debt which would never be repaid anyway, and to limit build-up of new debt in future. **Debt relief and ongoing support measures** (which could be anything from discounts on bills to help improving household energy efficiency), are critical to supporting the most financially vulnerable in society.



Debts run up due to industry process challenges

Loopholes need to be closed. The industry, government and regulators need to identify and fix all instances – such as change-of-tenancy situations – where debt can accidentally increase.



People who can afford to pay, but do not

Where there is robust evidence households can pay, there should be clearer guidance for the industry on the appropriate circumstances in which debt can be reclaimed, and on the tactics they can use to do so.

This is a difficult balance to strike; too lenient and the result is an unfair situation with households who pay their bills subsidising others who choose not to. Too aggressive, and the result is undue stress caused by unnecessarily-harsh tactics or by the pursuit of debtors right on the borderline of solvency.

To avoid both extremes, all parts of the industry should collaborate to develop shared guidelines which are clear, transparent and fair.



About Baringa

Baringa is a global consulting firm that helps leaders drive meaningful change and create value. With over 2,000 people across the UK, Europe, North America, Asia and Australia, Baringa combines global insight with local understanding.

Baringa has helped clients unlock growth in consumer sectors, expand networks through advanced data analytics, enable digital services in government, modernise financial platforms, and transform energy markets. All powered by deep expertise in technology, data and digital innovation.

Clients value Baringa's collaborative approach and the way its teams integrate seamlessly, working with a shared understanding of what creates value. The firm is known for its kind, curious experts who listen closely and care deeply about client success.

Find out more baringa.com

Methodology

Baringa conducts a biannual debt benchmarking exercise with UK energy suppliers, collecting a consistent set of key metrics including total debt, aged debt, unsecured debt, final debt, and Bad Debt Charge (BDC). Submissions are validated and input into a centralised model, enabling standardised analysis across participants.

Outputs are shared via anonymised packs and playback sessions, clearly showing each supplier's position within the market range for defined metrics. No individual supplier data is ever disclosed. We also provide industry averages and year-on-year comparisons, allowing participants to assess performance trends against both peers and their own prior position.

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