

Small businesses in the dark:

Energy brokers and the hidden scandal in energy prices

octopus energy
for business



Foreword from Zoisa North-Bond, CEO of Octopus Energy for Business

The last few years have not been easy on small businesses – far from it. The pandemic, energy crisis, supply chain challenges, inflation and the cost of living crisis, have all sent costs spiralling for Britain’s small businesses.

Small businesses are the lifeblood of the UK economy – making up **99% of all UK businesses** and providing a massive contribution to the country.

One of the biggest issues in the business energy market is that **over two thirds of small businesses** buy their energy through a broker.

During difficult times, when many have been struggling, some energy brokers have unfortunately been using this as a time to profit. To make energy more affordable for small businesses, increased transparency and fair practices in business energy tariffs is vital.

New analysis shows, **3.2 million small businesses have had a negative experience with an energy broker** in the past year*. From our conversations with small businesses we know just how widespread and damaging this behaviour is. From high volumes of unsolicited calls, to pressure to switch suppliers, hiding commission and much more - this area of the market needs urgent action.

At Octopus Energy for Business **we don’t work with brokers** as we don’t believe they provide the best value for customers. While small businesses often feel they need to get advice when taking out their energy, for many, their consumption isn’t more than a typical home, so going through a broker isn’t typically needed and only adds costs. This has meant many small businesses are often unknowingly and unnecessarily paying more by going through a broker.

The majority of our customers (97%) are micro and small businesses - from charities to pubs, barbers to high street shops, and everything in between. We want to amplify their voices and **shine a light on how these damaging practices** are impacting businesses.

In this report we lay out what we think can be done to make the energy market fairer and more transparent for small businesses. Our research shows that **UK small businesses are behind this**. An end to hidden broker commissions, a cap on commissions, no more unsolicited contact, and for brokers themselves to be properly regulated are some of the ways we believe the market can be improved quickly.

The **time to act is now** and we’re committed to helping in whatever way we can.

Definitions:



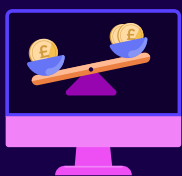
Small business: These businesses have fewer than 50 employees. Typical average energy usage of less than 50,000 kWh a year



Micro-business: A business with 9 employees or fewer. Typical average energy usage of less than 15,000 kWh a year



Third Party Intermediary (TPI): Organisations or individuals that give energy-related advice to help you buy your energy, including price comparison websites and energy brokers



Price comparison website: The customer proactively goes on to the site to search and compare tariffs. The markup by going through this third party is shown to the customer at the point of sale. While initially some of Octopus' business customers came through price comparison websites, we turned this off last year as it was better value for customers to come to us directly



Energy Broker: Someone who sits between the small business and the energy supplier to arrange a tariff. There are no exams, qualifications or requirements needed to set up as an energy broker, people can simply set up as a PLC (private limited company) and get started with no rules around how much commission they charge. Octopus doesn't work with brokers

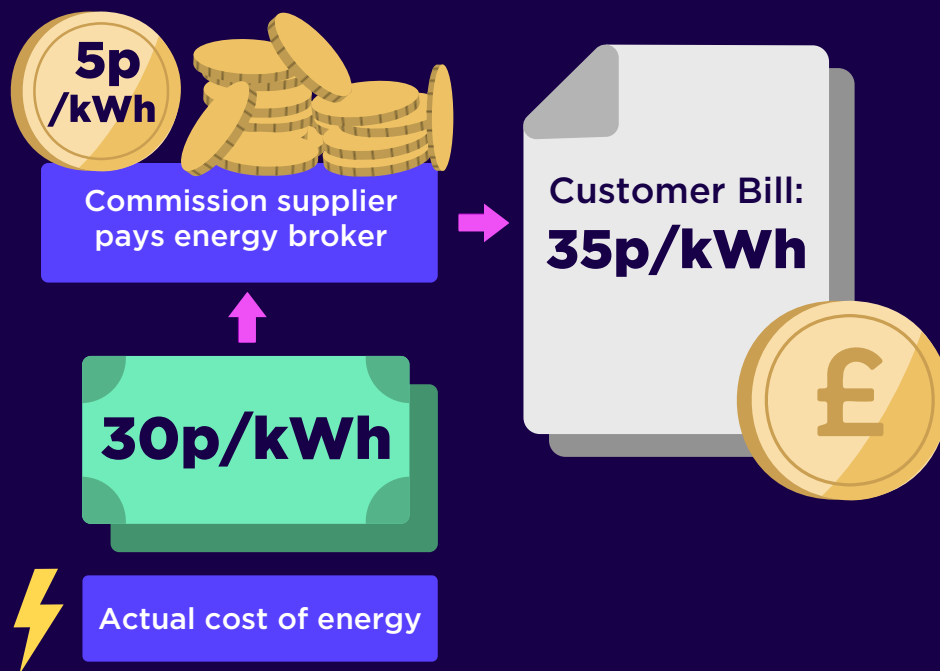
How does the market work now?

Currently around 3,000 energy brokers operate in the market, selling energy contracts to businesses on behalf of energy suppliers. Brokers usually get in touch with small businesses via phone or email to get them to sign onto a new energy deal.

Brokers' commissions are often not shown clearly by the broker at the point of sale and if they are conveyed, this is usually verbal-only. Commissions can be hidden in the unit rate of the energy so it won't be easy for people to spot. There have even been cases where the brokers' commission has increased the cost of the business' energy by over 25%.

Currently, the way Ofgem regulates the broker market is through the energy supplier that works with the broker. This means the onus is on the supplier not on the broker themselves.

Indicative example of how commission is added onto bills by brokers



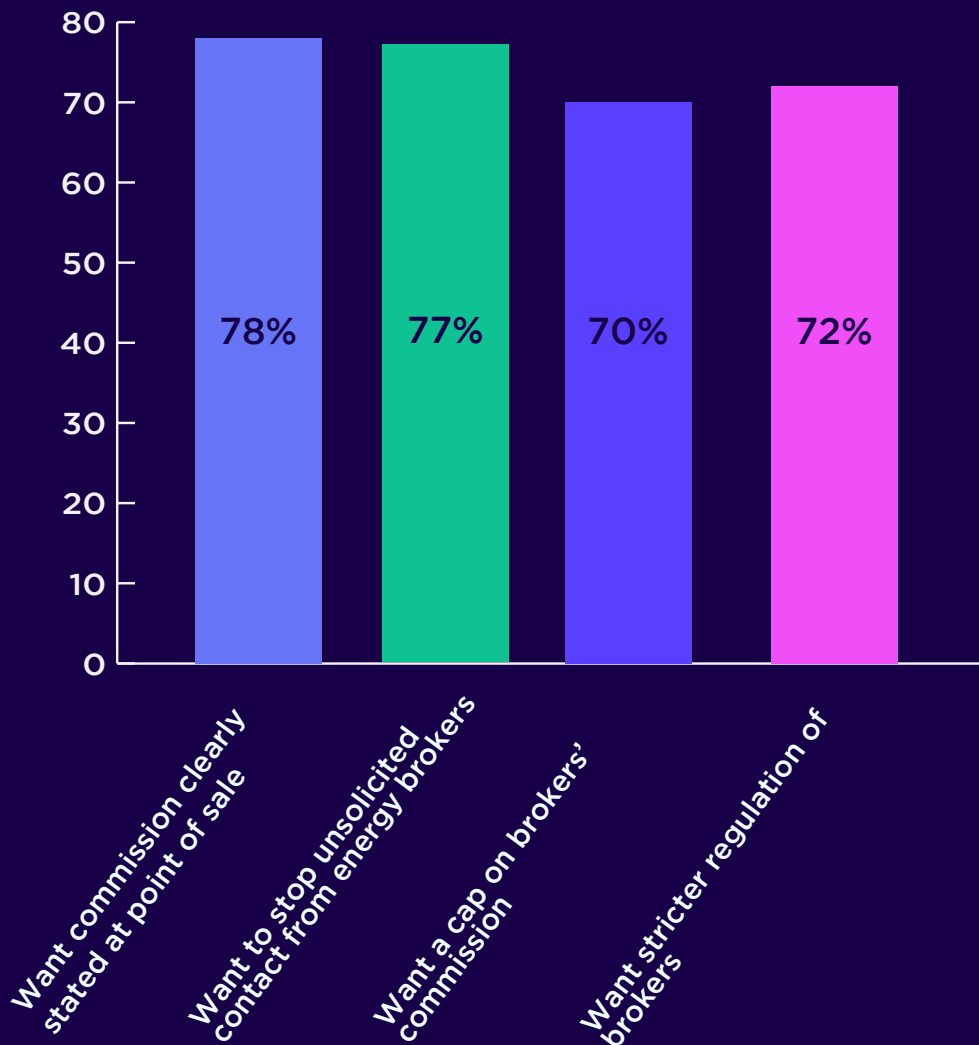
What are small businesses saying? What is going wrong?

Nearly half (45%) of small businesses have reported that their experiences with brokers has reduced their trust in the energy industry as a whole.

Small businesses' top 4 concerns about brokers:

1. Four in 10 (38%) experience **unsolicited contact** via frequent cold calling and spam emails
2. A third (36%) said their experience with energy brokers has **caused them stress**
3. A quarter (24%) **felt pressured to switch their energy supplier**
4. A fifth (20%) experienced brokers **pretending they were an energy supplier**

Recent polling shows small businesses are demanding action now:



Small business testimonials

“ Brokers have pursued our charity with a frequency and pressure that I’ve found amounts to harassment, as even when I have asked companies not to contact us they have continued to do so. They are also often not transparent about their fees and commissions. During these calls they’ve used panic and scare tactics, taking advantage of the recent energy crisis. They have often given misleading and incorrect information - and this really should be stopped. In one instance they ended up having to pay us compensation as they tried to move us off a fixed term contract that still had over a year left to run. ”

Reverend Dr Catherine Shelley, St Edwards Church, Mottingham



“ When I first opened up my barber shop and was brand new to owning a business, an energy broker called me and signed me up to a five year contract. Just minutes after I took it out I realised I made a mistake. I looked online to see what other offers were out there and could see how much more expensive this was and there was no cooling off period either so I was stuck. They also never told me the commission they made on it either. After three years of fighting it I finally managed to get out of the contract. ”

Jamie Waterhouse, who runs a barbershop Esquire Barbers in Preston

“ In my experience, brokers just don’t leave you alone. They call me incessantly, sometimes 20 times a day. I’m trying to run a business but the phone doesn’t stop ringing and it’s really disruptive when I’m trying to look after customers. Cold calling to this degree should be regulated better. ”

Damon Le Geyt, from the Old Pheasant Hotel & Restaurant, Rutland, East Midlands





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We receive at least five or more calls a week from energy brokers trying to sell us deals and this really interrupts our day-to-day business. On many occasions these brokers try to deceive by saying they are actually calling from the energy supplier itself. The deals they offer aren't cheaper either, as I have found better deals by going direct. The brokers focused only on price and while of course everyone wants a good deal, it's not all about price, as quality of customer service is really important too when signing up to a supplier. I don't use them anymore and I think people need to be more wary of these cold calls and the tactics they use. ”

Beverly Paling, from Warren Garage, a car garage in Frimley, Surrey

“

I find when energy brokers call me, they're usually poorly informed and often even make claims that they're representing my existing energy supplier. They'll always say you need to sign up right now and rush you into a decision, and never follow up with more details over email to give some time to mull it over, reflect and make a considered decision. And it's time-consuming to take all these calls when I need to be serving customers in the shop. ”

Claire Jarvis, who runs The Fibreworks, a wool and haberdashery shop in Chipping Norton, Oxfordshire



“

Just minutes after setting up my new business, an energy broker called me and made me feel very pressured to change my energy tariff. I ended up signing a contract that immediately after I realised was horribly expensive and I needed to get out of. It caused me so much stress and sleepless nights trying to get out of the contract - as staying on would have ended up crippling my business. I want to raise awareness of my experience so people know what to look out for so the same thing doesn't happen to other small businesses starting out. ”

Kirsten Campbell, who runs a crystal and holistic healing shop Nchantments in Gourrock, near Glasgow



What needs to happen next to fix this?

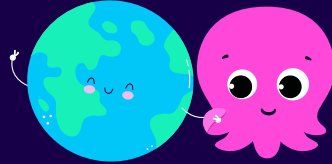
It is **not acceptable that small businesses are being taken advantage of**. We can't sit back and bide our time hoping things get better slowly and incrementally. The longer things stay as they are, the more small businesses will be ripped off.

Here are 3 steps for a fairer, more transparent broker market for small businesses:

- 1. No hidden broker commissions and a cap on commissions:** At the point of sale, brokers must clearly show how much extra they're charging versus going through the energy supplier directly. It should be made a requirement on the customer's contract before they sign their deal. If a small business does choose to get their energy through an energy broker (once being made aware of the commission), there needs to be a cap on how much brokers can charge businesses as currently this is left completely unchecked.
- 2. End unsolicited contact from brokers:** Small businesses should have greater control over how they engage with brokers, for example by a double opt-in to show they're open to being contacted. Currently many energy suppliers share business customer details with brokers who contact these businesses near the end of their contract to sign up to a new deal.
- 3. For energy brokers to be properly regulated:** The Government should enable Ofgem to regulate third party intermediaries like energy brokers. It's currently not within the regulator's remit to regulate brokers (only the suppliers who work with them), which has meant they've fallen through the cracks but not actually dealt with directly.

Get in touch!

We're much stronger when we all work together, so if, like us, changing business energy for the better is something you're passionate about we'd love to hear from you.



If you're a **business owner** and would love to show your support for the actions above, please contact your MP now and we can drive change together. Every voice counts!

[Find out how to best contact your MP here.](#)



If you're a **business energy supplier** who is also wanting to take a stand from working with brokers, we'd love to hear from you and have you join the cause!

Please reach out at: business@octopus.energy



If you're a **journalist** interested in writing up a story about this important topic, please contact press@octoenergy.com

Appendix

Sources:

- **YouGov nationally representative survey between 23- 28 June polling 1,000 small businesses in the UK (small business was here defined as a business with less than 50 employees).*
- *Please note: any population estimate calculations have been carried out by Octopus Energy, using Government figures for the number of small businesses in Britain (5.47 million). As this YouGov survey found 59% of small businesses had negative experiences with brokers in the last 12 months, this amounts to 3.2 million when looking at small businesses nationwide.*

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