

Paying by Direct Debit/Standing Order

A direct debit is an instruction from a customer to their bank or building society which allows the fuel supplier to collect varying amounts from a customer's bank account. A standing order is similar, but allows only fixed amounts to be collected.

For those with bank accounts this is often the simplest way to pay bills. Most fuel suppliers give discounts for paying by direct debit, as it is easy to set up and payments are automatic and so there is no need to remember when to pay. Direct debit and standing order allow the customer to spread the cost of electricity and gas evenly over 12 months, with the same amount deducted from their bank account every month (payments can be re-assessed up or down during the year if consumption levels change for direct debit. The amount will only change after the supplier gives notice to the customer, or if the customer pays by variable direct debit).

It is important that the monthly payments are sufficient to cover annual consumption, as under-estimated payments will lead to a debt building up on the accounts of those paying by standing order.

Advantages:

- ✓ Budget for bills with equal monthly payments across the year – avoiding larger winter bills
- ✓ Bills will be paid automatically and on time
- ✓ Secure and time efficient – don't need to post cheques
- ✓ Direct debit charges are generally cheaper when compared with standard credit, in fact it is often the cheapest tariff
- ✓ Choice of payment date

Disadvantages:

- The customer will need to check their meter regularly to ensure that their consumption doesn't exceed likely payment over the year - otherwise the customer will have to make up any shortfall at the end of the year or negotiate higher payments for the next year
- There is a risk of bank charges being incurred if there are insufficient funds to cover the agreed payments

This payment method suits those with regular incomes who find monthly budgeting easier and know roughly how much energy they use in a year.