

# Prepayment meters

## The pay-as-you-go way of buying energy



Lots of homes have prepayment meters for gas or electricity. Using a prepayment meter means you pay for your energy **before** you use it, on a pay-as-you-go basis. This is done by buying credit – usually with a key, smart card, online or over the phone – and adding this to the meter. As you use gas or electricity, the credit on the meter is used up.

This is different from a quarterly bill where you pay **after** you have used it, based on a meter reading or estimate. It's also different from paying a set amount per month by direct debit, where your fuel supplier estimates your annual usage and takes a fixed monthly payment, spreading your energy costs evenly over the year.

Traditional (non-smart) prepayment meters use either a key or a smart card



### How do you use a prepayment meter?

Almost all traditional prepayment meters use either a key or a smart card, (pictured). *Smart* prepayment meters use an app, barcode or smart card. Meters that take coins or tokens are increasingly rare.

Prepayment meter keys only work with the meter they have been paired with, and won't work with any other. Newer meters use smart cards rather than keys.

To purchase credit with a key or smart card, take it to an official [PayPoint](#) or [Payzone](#) outlet. These are found in most supermarkets and some local shops and post offices. Credit will be added to your key or card and you can top up your meter with the amount of credit you've





paid for when you get home. The meter displays how much credit you have left; when this runs out you must top up the key or card again.

It is illegal to buy credit for a prepayment meter from anywhere else, but some organisations like charities distribute prepayment vouchers to people at risk of being cut off, or in other cases of need.

If you have a Smart Prepayment Meter, you can top up remotely by phone, text, app or online. You can still top up at a shop if you prefer by using a barcode in your energy supplier's app or by requesting a top-up card from your supplier. Once you have topped up, the credit should appear on your meter within 1 hour.

## Prepayment meter pros & cons

### Pros

**Help with budgeting.** Compared to quarterly bills or a direct debit, payments tend to be smaller and more frequent. You can top the meter to suit your circumstances and there are no large or unexpected bills to worry about.

**Avoid debt.** Prepayment meters prevent you from getting into debt as they only allow a small amount of emergency credit to be used before the meter has to be topped up again.

### Cons

For traditional (non-smart) prepayment meters:

They can be inconvenient. Your meter might run out at awkward times, and you may live a long way from a shop or other outlet where more credit can be bought.

Your key or card can be lost or damaged. Your supplier will probably replace it for free, but if this happens they may charge you for replacements.

Note: If you have a Smart Prepayment Meter, these issues don't apply as you can top up remotely by phone, text, app or online at any time.

## Prepayment meter emergency credit

Prepayment meters give you a small amount of emergency credit which is designed to maintain your energy supply after your regular credit has run out and before you've had a chance to top up. Any emergency credit that has been used is reclaimed from the amount you have topped up when the key or card is put back in the meter.

## Do prepayment meter customers pay more?

Prepayment meter customers used to pay more for energy, as it costs more to supply them. However, in 2023 the government intervened to bring prepayment pricing in line with direct debit bills. Ofgem price caps for prepayment meters are now actually slightly cheaper than those for direct debit customers.

Another drawback is that, unlike monthly direct debit, prepayment customers can't spread their payments evenly across the year, so pay much more in the winter than in summer. This can present difficulties with household budgeting.

One way round this is to put a sum of money each month into a separate bank account from which you top up the meter – building up a surplus in the summer that can be used in the winter. This is a bit like creating your own direct debit; and if you can manage this, then consider asking your supplier to switch you to a credit meter and a direct debit tariff. This will end up saving you money.

## Daily cost of energy: the standing charge

Prepayment meters include a standing charge. This is a fixed daily amount that you have to pay, no matter how much energy you use. A standing charge covers the cost of supplying your home with gas or electricity and everyone has one, whatever sort of meter or payment plan they have. It's a bit like a phone line rental, but for your energy.

If you forget about the standing charge you may think you have more available credit than you actually do. And, if you haven't topped up for a while, when you finally do



add credit to the meter it will automatically deduct all, or a percentage of, the unpaid standing charge, swallowing up lots of the credit you've just added. The same goes for any fuel debt repayments being taken.

If you are going away and won't be using any gas or electricity (or at least very little), it's important to top up your meter so there's enough credit for the standing charge as well as for things like the fridge or freezer that need to be left on. To make your credit go further, unplug anything that doesn't need to be left on, including appliances on standby.

The standing charge (and any fuel debt) will still apply even if you completely run out of credit, stop topping up your meter and are left without gas or electricity. This is sometimes called 'self-disconnection'. Unfortunately, if this happens you end deeper into debt even though you aren't using any fuel.



### Fiona's story

Fiona switched off her gas central heating over the summer and she didn't top up her gas meter because she wasn't using any gas.

But the meter still took 27p a day for the standing charge. The standing charges built up and up.

In October, Fiona wanted to turn the heating on so she added £20 credit to the meter, but found she was in debt from the standing charges.

This meant she had to top up even more than she'd budgeted for.

### Moving into a home with a prepayment meter

Each prepayment key or card is unique and will only work in a specific meter, so if you move to a new house or flat that has a prepayment meter your old key or card won't work, and you'll need to ask your energy supplier for a new one.

Don't use an old key or card left behind by the previous occupant. Contact your energy supplier at least three days before moving in and ask if the meter needs to be reset or if you need a new key or card. This will ensure that you pay the right energy supplier, and that you aren't paying for gas or electricity used by the previous occupant (or, worse still, their outstanding fuel debt).

This is also an opportunity to ask questions about how the meter works and to check that you are on the best tariff the supplier has to offer, or to consider switching suppliers.

### Switching and prepayment meters

Being on a prepayment meter does not prevent customers from switching tariff or supplier. The process of switching is the same for those with credit meters. It is possible to switch even if you are in fuel debt, as long as the debt is not greater than £500. Tenants who are responsible for paying their bills have the right to switch provider.

It is also possible to switch from a prepayment meter to a credit meter. Some fuel suppliers will install a new meter for free, although in most cases you will need to pass a credit check or pay a refundable deposit. You have the right to change payment method if you are a private tenant as long as you are also the bill payer.

According to the [industry regulator Ofgem](#) your landlord "should not unreasonably restrict your ability to switch payment method, for example from a prepayment meter to a credit meter, but you might be required to switch the supply back to a prepayment meter at the end of the tenancy. There may also be costs involved in changing the method of payment."





## A few ways to cut your electricity and gas use, and save money ...



**Give your clothes a day in the sun;** and give your tumble drier a break. Clothes dried in the fresh air feel great, and there are drying days in winter, too.

**When you're cooking, keep the oven door shut as much as possible;** every time you open the oven door, a lot of the heat escapes.



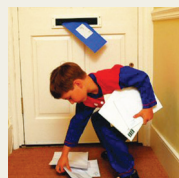
Food in the oven cooks faster when the air inside flows freely, **so don't put foil on the racks.**

**Don't leave your phone on charge all night.** It only needs three hours – and try not to leave the TV and other kit on standby.



**Encourage your children** to switch off electric toys and lights that they're not using. They'll soon get the hang of saving energy.

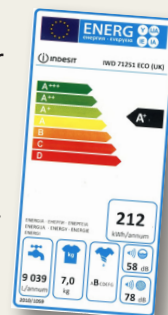
**Cup of tea or coffee?** Only fill the kettle with as much water as you'll actually use (but make sure you cover the metal element at the base).



### **Draught-proof!**

Fit draught-excluders to your front door, letter box and key hole, and draw your curtains at dusk to keep the heat in.

**Buying a new appliance?** Check the energy label and buy A-rated goods for the most efficient.



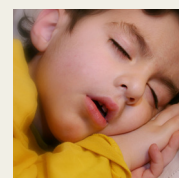
**Be a friend to your freezer.** Defrost it regularly to help it run more efficiently.

**Turn your heating down by just 1 degree.** You'll hardly notice the change in temperature, but it'll make a big difference to your heating bill.



**Wait until you have a full load before running the dishwasher or washing machine.** One full load uses less energy (and water) than two half-loads.

**Sleep tight.** Make sure all the lights are turned off when you go to bed, or use a low-wattage night light if you do need to leave one on.



**New computer?** Laptops typically use around 85% less energy than a new desktop PC.



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We're a charity (298740) supporting people and organisations across the UK to tackle the climate emergency and end the suffering caused by cold homes.

Our Home Energy Team offers free advice on domestic energy use to people in central southern and southwest England.

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