MONEY

TAX REVENUES FOR NINE MONTHS IN 2021

€45.9bn

UP 21% ON 2020

AMOUNT THAT THE OVERALL EXCHEQUER BALANCE IS AHEAD OF BUDGET DAY FORECAST

€6bn

SOURCE: DEPARTMENT OF FINANCE

Families face a winter of discontent, like Daenerys Targaryen (Emilia Clarke) in Game of Thrones

Winter is coming — but don't get burnt by big bills

Surging energy prices and hikes in health cover will take a big bite out of household budgets later this year, but you can fight back, writes *Eithne Dunne*

Winter is never a cheap season for householders but this year it's shaping up to be potentially even harder on the pocket than most.

Energy prices have been rising relentlessly all year but, as always, consumers won't feel the effects until next month onwards, when the temperatures really start to drop. And there will be, of course, one or two other seasonal bills coming our way this winter.

Energy

This is where consumers are likely to see the biggest jump this winter. Aodhan O'Donnell, founder of energy comparison site Power to Switch, describes this year as "almost unprecedented" in terms of price rises.

"They have been going up since March, with some suppliers increasing three times since then," he says. "And these are not insignificant increases: they have ranged from about 5 to 20 per cent."

The bottom line for the average household using both gas and electricity is an extra €300 on bills this winter, with some looking at considerably bigger hikes, depending on their suppliers.

"People are in for a big shock when they get their bills in December and January," Daragh Cassidy, head of communications at Bonkers.ie, says.

O'Donnell reckons the price rises will put a lot of people under pressure in terms of keeping on top of bills, especially as other outgoings such as petrol and diesel are also on the increase. "Everything is coming together to make it a difficult winter," he says.

The latest rises are largely driven by dramatic increases in the international markets for wholesale prices, which account for about 50 per cent of your bill. This time last year a megawatt of energy cost about €37 wholesale; it now costs closer to €131. According to Cassidy, the situation has been exacerbated by the fact that two power plants – Whitegate in Cork and Huntstown in Dublin – have been out of action for the past year, plus wind output has been lower than normal.

Those who use home heating oil won't escape either. Whereas this cost about 44c a litre a year ago, it's now more like 74c a litre, adding about €300 to the price of filling a 1,000-litre tank. Then there's carbon tax, which is increasing by €7.50 a tonne each year for the foreseeable future. This applies to gas, oil, coal and peat and, according to Bonkers.ie, could see the average household paying an extra €76 a year for gas, or €94 more for every 1,000 litres of home heating oil.

O'Donnell says that, although customers have no control over wholesale prices, they can help to offset them by reducing their usage, switching to a better tariff, or at least putting pressure on their supplier for a better deal.

"If you're on a standard tariff and switch electricity and gas, you could potentially save up to €500, which would offset the increases," he adds.

There are 14 energy suppliers in the Irish market and all offer steep discounts, sometimes as much as 40 per cent, to new customers for the first year. However, you may not necessarily have to switch supplier to get a better price. O'Donnell says that if you're happy with your supplier, ask for a better deal. "People do this all the time when renewing their car insurance, but for some reason not with energy bills," he says.

If you're still under contract with your supplier, you would have to pay a fee to leave early; this is typically €50. However, if your savings by switching are going to outweigh that, it may still be worth consideration.

In terms of reducing your usage, if you live in an energy-efficient home there may not be much you can do – short of being smarter about your use of appliances, timed heating controls and so on. But otherwise, start with the basics such as getting your attic insulation up to scratch.

The Sustainable Energy Authority of Ireland (SEAI) estimates that about 20 to 30 per cent of a home's heat is lost through the roof. The cost for insulating the attic of a typical three-bedroom home will likely be €500 to €800, but you can get up to €400 back from the SEAI.

After that you could look at wall insulation, smart heating controls, and even solar panels and heat pumps. The costs rise with each but there are grants available. Contact the SEAI for details (seai.ie).

> **Everything is coming together to make it a difficult winter**

Ensure that you use any state support to which you are entitled. The means-tested fuel allowance, for example, pays €28 a week for 28 weeks, starting about now. There's also the household benefits package for those aged 70 and over, or 66-plus in certain circumstances. This includes a monthly allowance towards your gas or electricity bill plus a television licence, and most applicants will not be subject to a means test.

Food

Although inflation in the cost of food and other groceries has remained low in recent years, this could all change in the coming months. The combination of Brexit and Covid, followed by the shortage of HGV drivers in the UK and the resulting hike in salaries, has led to predictions of a trickledown effect on supermarket prices here.

Savvy shoppers might consider forgoing their usual branded items for cheaper alternatives. "Irish households spend way more on branded groceries than most of our European neighbours," Cassidy says. "Non-branded alternatives are often just as good at a fraction of the price. And when it comes to fresh food and drink in particular, like steak, pasta, milk, chicken, pork, bread, eggs and bacon, the produce has often come from the same farm or factory, meaning you're literally paying extra for the label."

According to the Environmental Protection Agency, the average Irish household throws out about €700 worth of food every year.

Property tax

Another charge homeowners will face this winter is the local property tax (LPT). Many people will be paying this tax for the first time, as various exemptions have been removed this year. For example, those who bought newly built homes since 2013 will now be liable.

It's a sizeable bill. Say your house has a value of €300,000, about the national average. If your local authority is Cork county council, your LPT bill for 2022 will be €338. If it is Galway county council it will be €315, while Dublin city council and Donegal county council charge €267 and €362, respectively. Note that although you must submit your LPT return online via Revenue's LPT page by November 7, you don't have to pay the tax until January. You also have the option of paying by direct debit, thereby spreading the cost evenly throughout 2022.

Health insurance

Given that so many private health insurance customers get their renewal notices in January, this is yet another bill many will face this winter. All the insurers raised the prices of at least some of their plans this year and, in some cases, the levels of benefits have been reduced at the same time. For some, this winter's renewals season will be more expensive than usual.

There are plenty of health insurance customers still paying for older, pricier plans despite the fact that there are often newer and cheaper plans available with the same or better benefits.

Warning signals include paying more than €1,800 per adult, being on the same policy for three years or more, having the entire family on the same plan, or not being on a "corporate" plan. If any of these apply to you, call your insurer. You may not necessarily need to switch provider; you may be able merely to switch plans to get a lower premium with the same or better benefits.

Remember that you are entitled to join any plan on the market, regardless of its name.

€? QUESTION OF MONEY

My VHI policy (PMI 40 15) is up for renewal in the next couple of weeks. Current quote is €1,338.77. What is the best policy for a single woman aged 48? Obviously I am not interested in maternity/fertility treatments, etc. I have no pre-existing conditions except high cholesterol. Both my parents have extensive cardiac history, so good cardiac cover is very important. I am living in Co Clare, so cover in Galway Clinic is a must.

D V, Co Clare

The first point to make here is that PMI 40 15 is still a good hospital plan that is well priced. It includes private cover in all public hospitals and up to semi-private cover in all standard private hospitals subject to a small excess of €75 per claim. It covers certain listed cardiac procedures in the high-tech Dublin hospitals Blackrock Clinic and Mater Private, but for all other treatment there is no cover in these locations. There are certain limitations to be aware of; for example, there is only 80 per cent cover for certain listed orthopaedic and ophthalmic procedures in private hospitals and no guaranteed refunds for outpatient expenses.

If you are happy with your existing benefits, consider renewing on the same plan. Bear in mind that all plans have to include minimum benefits for things such as maternity, convalescence and fertility.

In terms of future-proofing your cover, I would suggest upgrading to a full corporate plan. These tend to provide the best mix of benefits and pricing, and are available to all consumers irrespective of the plan name. For example, VHI has an excellent semi-private corporate plan called PMI 07 10 costing €1,247, excluding age loadings. Apart from UPMC Whitfield in Waterford, and Kingsbridge Private Hospital in Sligo, this plan also covers up to semi-private in standard private hospitals. It has a similar excess structure to your current plan, except that the €150 inpatient excess is payable just once in the year, and the day-case excess reduces to €50 per claim.

It still includes limited cover for the high-tech hospitals but you would also have full cover for certain listed special procedures and approved day-case procedures, which is an upgrade in cover. A key benefit is that the policy includes guaranteed refunds on eligible outpatient expenses with no excess to pay first and, even though this is an upgrade in cover, these outpatient benefits would start immediately on joining, as you are under 50. This plan has the same 20 per cent shortfall on those 22 listed orthopaedic and ophthalmic procedures, but only in private hospitals and only where the hospital refuses to waive it.

If you were considering switching insurers, you could also check out Laya Healthcare's Inspire scheme at circa €1,220 or the 4D Health 2 policy from Irish Life Health at €1,394.

Don't forget the upgrade rule. If upgrading your cover, all insurers will restrict your benefits for any existing medical conditions to the lower amount paid on your previous plan for the next two years. Any new conditions arising after the change in cover will be assessed under the new plan, subject to the policy's terms.

Dermot Goode is a health insurance expert at totalhealthcover.ie

Send your personal finance or consumer-related questions to money@sunday-times.ie

Eoghan Gavigan

Stick a fork in banking competition — it's done

The phrase "Morton's fork" can be traced back to the time of King Henry VII in the 15th century, when John Morton, then the Archbishop of Canterbury and lord chancellor, rationalised that a tax levied by the king was just. He reasoned that those living modestly must have substantial savings, while those living extravagantly were obviously rich; both therefore were equally able to pay the tax in question.

Although Morton's fork refers to a dilemma where both options lead to the same unpleasant conclusion, over time it has morphed into a phrase that describes a choice between two equally undesirable alternatives. It could be used to describe the plight of the Irish banking customer in 2021.

Prior to the global financial crisis, consumers had a wide array of banking options, with no fewer than 11 institutions offering current accounts and other services to the public. Historically, clients were very loyal to their bank. However, as lesser players expanded their offerings and some foreign lenders arrived, competitive behaviour emerged and a reduction in customer loyalty became evident, a trend sometimes referred to as "customer promiscuity".

Mergers, exits and a liquidation followed, and since Ulster Bank and KBC this year announced their plans to exit the jurisdiction in quick succession, choice for Irish consumers has fallen further. If the customer was king, it felt as if it were only for a day. The full effects of this have yet to be felt, and are likely to be severe.

Three banks instead of 11 competing for the available customer base is a large drop in competition, but you have to dig deeper to appreciate just how severe the effect is likely to be. For a fuller understanding, you must distinguish between the act of merely offering a service and actively trying to win market share.

On a basic level you can split bank services into about 12 activities. A particular product line can be more profitable if the bank doesn't seek to compete on price, in the knowledge that clients will, for the most part, take the solution in front of them rather than shop around.

Banks have varying strategies for different product lines. With banks choosing which product lines where they will compete and which are going to be super profitable, it's not necessarily the case that even three banks will be competing for your business on a given day.

> **There may really be only one bank keen to win your custom**

They may all be keen to get your mortgage or current account, but what about your credit card, personal loans, money transmission, foreign exchange and so on? For a small number of services, there may be three vying for your custom, but often there are sure to be just two, and frequently there may really be only one keen to win the deal. In other words, there is no competition. This is likely to result in very poor outcomes for customers.

In order to have at least two banks competing on each of the 12 product lines, every one of our three banks would need to be, on average, actively trying to win market share in at least eight of those product lines. It won't happen as, with so few competitors, there will be no need to compete.

But even this doesn't represent the jeopardy we face. Factor in also that each pair competing on a given product will not compete for every deal, simply because no bank wants the concentration risk that comes with having a 100 per cent market share in any product line.

A bank is more likely to target somewhere in the region of perhaps 40 per cent of the market, which in a fair fight with one opponent would be easily achieved just by matching its competitor's price, and therefore no true competition. So the real picture is bleak.

Until recently the lacklustre marketing campaigns of many providers had me convinced that our ailing banks would thrive only if they learnt to innovate. However, it appears that this may not be necessary; an ability to levy a captive client base effectively may well be their salvation.

The client may not be truly captive. We have a choice, but if we aren't caught on one prong of Morton's fork, we will be caught on the other.

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