



FEDERAL TRADE COMMISSION

Consumer Information

consumer.ftc.gov

Getting Utility Services: Why Your Credit Matters

Getting utility services — gas, electricity, water — has a lot to do with your credit history. The better your credit history, the easier it will be for you to get services. And your on-time (or late) payment history with utility providers can be important for your credit history in the future.

- Applying for Utility Services Is Applying for Credit (#applying)
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- What To Do if You Have Problems Paying Your Utility Bills (#what)
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Applying for Utility Services Is Applying for Credit

If you're moving into a new home and you need to set up and pay for utilities, you'll need to apply for those services. When you apply, companies often look at how you've paid your bills in the past, including how you've paid bills for utilities where you've lived before.

Here's what you should know when you apply for utilities:

- **You're applying for credit.** Utility companies send you a bill at the end of the month based on how much gas, water, or electricity you use. That means they're extending you credit for their services until you pay your bill.
- **Companies will look at your credit history.** Like other creditors, utility companies will ask for information like your Social Security number so they can check your credit history (<https://www.consumer.ftc.gov/articles/understanding-your-credit#good>). A good credit history can make it easier for you to get services. A poor credit history can make it harder.
- **How you pay your utility bills can become part of your credit history.** If you pay your bills in full and on time, it can help your credit. If you don't, it can hurt your credit. Failing to pay on time can also lead to collections and charge-offs, which can especially damage your credit. Not paying on time also can affect whether you can get other types of credit. Learn more in Understanding Your Credit (<https://www.consumer.ftc.gov/articles/understanding-your-credit>).

When You Might Have To Pay a Deposit for Utility Service

If you're a new utility customer, or if you're an existing customer with a poor payment history, the utility company might say you have to pay a deposit to get new service. Or they might ask you to get a letter from someone who agrees to pay your bill if you don't. This is called a letter of guarantee.

Here are a few things to know:

- **Generally, the company must treat everyone the same.** The company's policy for requiring deposits or letters of guarantee must be the same for all customers. If you're a new customer, the company can ask you for a deposit or letter of guarantee if their policy is to ask *all* new customers for one, or if they do so for all whose credit history is poor.
- **You're not a "new" customer if you've already had an account with the utility company under your spouse's name.** If you've had utility services under your spouse's name at places you've lived before, your household is technically not a new customer. In that case, a utility company can't ask you to pay a deposit or get a letter of guarantee claiming that you are a "new" customer, when you want to set up utilities in your name.
- **Your spouse's utility payment history could affect whether you're required to pay a deposit or give a letter of guarantee.** If the company's policy is to ask for a deposit or guarantee letter if a customer's credit is poor, your spouse's late payment history could be taken into consideration — even if your own utility payment history is fine.

The Equal Credit Opportunity Act (ECOA) gives you a chance to prove that your spouse's bad credit doesn't mean that you're not going to pay your bills. You may have to show that you didn't live with your spouse when their account was overdue, that you never saw the bills, or that you paid the bills once you discovered they were overdue. If you can't prove any of these things, the company may ask you to pay your spouse's old debts, pay a deposit, or provide a letter of guarantee before your service is connected. In this case, the company's right to take such action in these latter situations is governed by state law, not the ECOA. Contact your [state consumer protection office](http://www.usa.gov/directory/stateconsumer/index.shtml) (<http://www.usa.gov/directory/stateconsumer/index.shtml>) for more information.

Your Rights if You're Denied Utility Service

You have the right to know why the utility company denied you service. The company has to send you a notice, within 30 days of its decision, telling you the specific reasons why they denied you service or notifying you that you have the right to know those reasons. You then have 60 days to request that they tell you those reasons. You must submit your request in writing. You also could contact your [state](https://www.usa.gov/state-consumer) (<https://www.usa.gov/state-consumer>) or [local](https://www.usa.gov/local-governments) (<https://www.usa.gov/local-governments>) consumer protection office to check on any additional rights under state law.

What To Do if You Have Problems Paying Your Utility Bills

If you're behind on paying your utility bills — or you expect to be — contact the utility company immediately. You might have the following options:

Payment arrangements

Often, companies won't shut off your service if you pay part of the overdue bill now and agree to a plan to catch up on your payments over time.

If you make a payment arrangement, keep these things in mind *before* you agree:

- The company might require you to pay your future bills — on time and in full — while you also pay off your past due balance. Only make this arrangement if you will be able to pay both. If you don't make payments as agreed, you could have your service disconnected, and the company may not agree to any other payment plans in the future.
- Your make-up payments are still considered late. Find out the company's policy for reporting late payments to credit bureaus when a payment arrangement is in place. This will help you know how this might affect your credit history.

Some states may have requirements about the company's shut-off of your service, particularly in view of COVID-19. Contact your [state](https://www.usa.gov/state-consumer) (<https://www.usa.gov/state-consumer>) or [local](https://www.usa.gov/local-governments) (<https://www.usa.gov/local-governments>) consumer protection office for current information on these protections.

Budget billing plans

A budget billing plan lets you pay a flat charge each month for services. It's based on an estimate of what you're going to use each month, usually based on your past usage. Before you decide to accept a budget billing plan:

- **Take a look at your prior usage and monthly payments to see if the plan makes sense for you.** A budget billing plan helps you avoid monthly spikes when usage is high — like in winter — and lets you plan your monthly expenses. But if you go over the estimated usage, you'll have to pay extra at the end of the year. So think carefully about whether you'll be able to keep the utility usage within the amount estimated. And at the end of the year, if you had to pay extra because you used more than they estimated, consider reviewing your budget billing plan agreement.
- **Ask about fees and credits.** Ask if the plan charges administrative fees, how much they are, and when they are due. Also, find out if you'll get a refund if you use less than expected or if this will become a credit on next year's bill.

Get ideas and tools to help you manage your money at [consumer.gov](https://www.consumer.gov/section/managing-your-money) (<https://www.consumer.gov/section/managing-your-money>).

Ways to lower your usage

Many utility companies offer tips on how to conserve electricity, water, and gas. You can usually find these on the company's website or in their bill inserts or brochures.

Consider an energy audit. This involves finding out where you're wasting energy and how well your heating and cooling systems work. The U.S. Department of Energy offers a [do-it-yourself energy audit tool](http://www.hes.lbl.gov/consumer/) (<http://www.hes.lbl.gov/consumer/>) to help you do this.

Get more energy saving tips from your [state consumer protection agency](http://www.usa.gov/directory/stateconsumer/index.shtml) (<http://www.usa.gov/directory/stateconsumer/index.shtml>) and the [U.S. Department of Energy](https://www.energy.gov/energysaver/heat-and-cool/home-heating-systems) (<https://www.energy.gov/energysaver/heat-and-cool/home-heating-systems>).

Spot and Avoid Utilities Scams

A call from your gas, electric, or water company threatening to immediately turn off your service is probably a scam. See [Scammers Pretend To Be Your Utility Company](https://www.consumer.ftc.gov/articles/scammers-pretend-be-your-utility-company) (<https://www.consumer.ftc.gov/articles/scammers-pretend-be-your-utility-company>) for tips on how to spot, avoid, and report utilities scams.

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