

Carpet Foundation – Consumer Code of Practice Audit January 2014

Background information

The Carpet Foundation was established in 1999 from the former British Carpet Manufacturers Association. The Foundation is currently formed of 7 of the major carpet manufacturers in the UK (out of 9). In addition, the Foundation encourages membership from independent carpet retailers and currently have 670 of these members. They do not admit large multiple retailers or wholesalers to membership. The retailers currently pay a levy on all carpets that they purchase from any of the 7 member manufacturers in order to fund the work of the Foundation and provide resources for the Consumer Code of Practice. However, from 2012, the Foundation is moving towards a subscription model for collecting fees. The mix of payment methods is currently around 50:50.

The Consumer Code of Practice is a mandatory requirement for all Carpet Foundation members. The Foundation estimates that its 670 members are drawn from a total number of around 4000 carpet retailers in the UK, but many of these will be providing contract work and will not have a showroom (which is a requirement of membership).

Audit Process

Two qualified trading standards professionals from the Trading Standards Institute (TSI) completed an onsite audit split over two days. The audit focused on the following areas:

1. Member application process including checks carried out on prospective businesses
2. Member auditing-content and process (including general compliance with the code, staff training and dealing with consumer complaints)
3. Sanctions for non complaint member businesses
4. Marketing and advertising by member businesses- Terms and conditions and pre contractual information (including cancellation rights, deposits, delivery times and guarantees and warranties)
5. Customer service provisions (including support for vulnerable consumers)
6. Consumer complaints process (including ADR)
7. Customer satisfaction, information/complaints from enforcement agencies, and how this information is used to develop and improve the code.

Audit Summary

The Audit Team found significant deficiencies in the management and monitoring of the Carpet Foundation Code of Practice. As such they have determined that the Carpet Foundation is **failing to meet its obligations as a code sponsor**. In accordance with the rules of the scheme, the results of the Audit will be drawn to the attention of the Consumer Codes Approval Board who will determine what action is required to rectify the situation.

The Audit Team found:

- Model terms and conditions issued to Foundation members had not been reviewed or refreshed since they are approved by the OFT in 2006;
- Although the approved Code of Practice limits pre-payments to 33% of the contract value, the Foundation had amended this to 50% without seeking approval and, notwithstanding this, the Audit Team found evidence that 100% deposits were being taken in some cases;
- The approved customer feedback and monitoring process had been abandoned and there was no evidence available that a suitable alternative had been implemented;
- The Foundation had ceased to audit its members' activities and had switched to a questionnaire without seeking approval. The approach adopted by the questionnaire was considered inadequate to effectively monitor the activities of its members;
- The Foundation had made its field auditors redundant and had not implemented any adequate alternative;
- The Foundation had no effective means of discovering whether or not its members continued to trade (although it was noted that moving to a subscription model would assist with this aspect).

Notwithstanding the deficiencies identified, the Audit Team did note some examples of good practice. In particular, a low level of complaints and an effective conciliation function run in-house by a highly experienced industry professional. It was considered that this approach contributed to the very low level of disputes that required independent alternative dispute resolution.

In addition, the Audit Team noted the comprehensive and well presented new member pack, including a broad range of branded materials and compliant use of the TSI Approved Code logo on all of those materials. The Team particularly liked the stickers provided to add to individual contracts, which would help to signpost consumers towards the protections offered by the Foundation's Code of Practice.

Member Application Process

The Foundation has an effective and efficient new member process. Any applicant must complete an application form and have at least two active accounts with Foundation member manufacturers. The applicant's credentials are checked with the manufacturers and their field sales agents. In addition checks are made on websites and shop fronts using Google Streetview. The applicant is required to complete a self-assessment process which is checked with the manufacturers. Once accepted as a member, they receive a comprehensive member pack, which contains a broad

range of point of sale materials. Each member has a nominated 'ambassador' who will be one of the manufacturer's field sales agents. Their role is to keep the member actively informed about the Foundation and any changes to the Code of Practice.

The audit examined:

- The procedure for appointing new members
- The records of audit of existing members
- The process for completing inspections of members
- The process of membership withdrawal

Existing Member Inspections/Audit

The Foundation have recently changed from auditing to a system of business questionnaires. The Audit Team could not find any evidence that this change had been authorized either by the OFT or by CCAB.

It is early in the new regime, but numbers of responses does appear to be increasing and the Foundation are getting a 25% response rate. The member questionnaires are a self-assessment questionnaire relating to the key elements of the consumer code.

The responses are checked, and any issues or areas of non-compliance are raised with the members, to bring them back into compliance. e.g Any members who no longer have retail premise are removed, as having a retail premise is a key requirement for membership of the Carpet Foundation.

Those businesses that have not responded are sent a follow up letter and contacted individually if necessary. The Foundation no longer has any in house resources to visit any member retailers as the staff that were doing this had been made redundant.

Currently there are no onsite audits conducted of Foundation members. The Audit Team is aware of extensive correspondence between Foundation and OFT relating to monitoring. There is no evidence of any approval by OFT to stop customer satisfaction surveys or to stop the onsite audit programme. The onsite audits were apparently stopped in 2011.

The Audit Team were of the view that this fails to meet the core criteria of the CCAS.

Membership Withdrawal and Sanctions for Non Compliant Member Businesses

If a member chooses to leave the Carpet Foundation, they are written to and asked to remove all references to the Carpet Foundation and the code from their premises and website. They are then removed from the Carpet Foundation online directory and the TSI (MLS) database.

If a member ceases trading the Carpet Foundation rely on the manufacturers to let them know. There was one example of a retailer who has ceased trading still being listed on the trader Directory.

It was noted that the Carpet Foundation are moving to a system of monthly payments from members, and this will help identify any businesses that cease trading.

There is currently no follow up check to ensure the businesses cease using the Carpet Foundation or TSI logos, once they have resigned from the Carpet Foundation. However, the manufacturer's representatives do look out any misuse of logos and let the Carpet Foundation know, on an informal basis. They are supplied with a list of resigned members by the Carpet Foundation.

Checks were made on a number of retailers who had cancelled their membership. They were no longer listed on the directory and all references to the code had been removed from their websites.

Disciplinary and Sanctions Procedures

For minor breaches of the code, such as the retailer taking too long to send conciliation forms back, the Foundation issue members with a written warning.

The Foundation has established a Disciplinary Panel chaired by Justice of the Peace and two lay representatives. Panel has never needed to meet.

The code makes provision for a fine or expulsion from the scheme for non-compliance.

Marketing and Advertising by Member Businesses

The Foundation provide marketing and advertising on behalf of members. Members are encouraged to market their membership of the Foundation. Specific advice and guidance is provided for members for each marketing campaign. There were no issues of concern with marketing and advertising.

Terms and Conditions and other Pre-Contractual Information

All retailers must have terms of business, and model terms are issued by Carpet Foundation. The model terms were examined and the Audit Team noted that they had not been revised or refreshed since they were approved by the OFT in 2006. In addition, the terms appeared to only apply to contracts concluded on trade premises and no provision was made for off trade premises or distance selling contracts.

It was recommended that the Carpet Foundation seek advice from Trading Standards regarding their model terms and conditions.

Deposits are up to 50% and are covered by Carpet Foundation deposit protection scheme. If consumers wish to cancel the contract, on reasonable grounds, they are allowed to do so. The retailer may claim any out of pocket expenses they have incurred. The Foundation were advised that this aspect would not be compliant with distance selling or contracts concluded off trade premises.

All retailers are required to have their own premises, there is an assumption that all contracts are concluded on trade premises. The Audit Team felt that it was likely that some contracts were concluded away from business premises, so the Foundation

agreed to conduct a poll of members to establish if any contracts are completed in the customer's home.

All carpets that are fitted by the retailer, or fitting is arranged by the retailer receive a one year guarantee, the guarantee also covers fitting.

Delivery times are covered within the code. Every effort will be made to meet consumer's expectations in relation to delivery times.

Customer Service Provisions

All members have national rate customer telephone numbers or are contactable via email.

In relation to vulnerable consumers- within the code there is a requirement to ensure all terms are clearly explained to vulnerable consumers. Retail premises are accessible, and retailers will take switches out to consumers if requested due to mobility issues.

Consumer Complaints Process

Members are required to try to resolve complaints themselves, but if they are unable to do so, the Foundation offer an in-house conciliation service. If, after that, the complaint is still not resolved, can refer to ADR.

The code of practice is available online on the Foundation website, however the conciliation form is not. The Foundation are recommended to add the conciliation form to their website.

The Foundation get 2-3 enquiries a day. Many are general enquiries, often not relating to members. The Foundation do advise too on complaints, how to maintain carpets and where to go for independent examinations or assistance.

If Retailers go into liquidation, the Foundation do assist affected consumers. The deposit protection scheme is effectively underwritten by mutual aid with the manufacturers.

The aim of the scheme is to ensure that consumers get the carpets they have ordered i.e cover up to 50% deposit paid, if member retailer goes bust.

If the deposit is paid on a product that is not a Foundation manufacturer product, the Foundation have stepped in and worked with another local retailer to ensure consumer gets what they have paid for. The Foundation have on occasion given consumers deposits back, but primarily they seek to ensure fulfilment of the original order.

Consumers can refer their complaint to conciliation. They have to complete a conciliation form and provide evidence to support their complaint which are all investigated by a highly experienced carpet professional. There are a low number of complaints. A sample of these were examined, and all records were present and all data was retrievable. The Carpet Foundation procedures were complied with. All complaints were dealt with in a timely manner.

A spreadsheet summarising each complaint is kept by the Technical Director, to keep track of progress with each complaint. As a minor point, the Audit Team noted that there was no note of confirmation that any remedy awarded by conciliation or the ADR scheme had actually been implemented, but we assured that this was in practice verified with the consumer at the conclusion of the case. It is recommended that a file note is made of this.

Customer Satisfaction and Feedback

90% plus of customer feedback cards received state customers are very happy with the service they have received. However, numbers of responses to the feedback cards were quite low, so the Carpet Foundation has stopped sending out the questionnaires.

In 2012 Carpet Foundation stopped sending out customer feedback cards. We could not find any evidence that this change had been approved by either the OFT or CCAB.

The Carpet Foundation have not yet formalised procedures to work with the TSI online directory feedback mechanism. There was one example of negative feedback left for a member, but this had not been picked up by the Foundation.

Conclusions

The Carpet Foundation is not fulfilling their obligations as a code sponsor. There was insufficient evidence that the Foundation could demonstrate that their member base is compliant with the CCAS core criteria and the Carpet Foundation Consumer Code of Practice, principally because of a lack of effective monitoring and auditing.

Observation:

Carpet Foundation could add information relating to carpet shading and advice on the use of own fitters to inform consumers, and help reduce the number of complaints down further.