

## **Motor Codes Limited New Car Code – Audit November 2013**

### **Background information**

The Motor Industry Code of Practice has been in place since 1976, and it was later endorsed by the Office of Fair Trading (OFT).

The OFT brought in the new Consumer Codes Approval Scheme under the Enterprise Act 2002. The New Car Code was approved by the OFT in 2004.

38 main car brands have signed up to signed up to the New Car Code, which represents over 99% of new car registrations in the UK.

### **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. Subscriber application process including checks carried out on prospective businesses
2. Subscriber auditing-content and process (including general compliance with the code, staff training and dealing with consumer complaints)
3. Sanctions for non complaint subscriber businesses
4. Marketing and advertising by subscriber 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**

#### **Subscription Application Process**

Motor Codes has a comprehensive subscriber database, with all records kept electronically.

The audit examined:

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

## **Summary**

The subscriber database was comprehensive, data was easily retrievable and no issues were found with missing records.

## **New subscribers**

The subscriber application process was examined. Motor Codes Limited meets with any vehicle brands interested in joining the code, and explore one to one if the code is right for them and explain what the requirements of the code are. The manufacturer is then audited to ensure they meet the requirements of the code and asked to sign a commitment to the obligations under the code.

All the main brands are currently signed to the code, so any new applications to the code are from specialist manufacturers only.

## **Existing Subscriber Inspections/Audit**

The process for auditing existing subscribers is the same as for new applicants.

Motor Codes Limited meets with brands twice a year to discuss overall performance of the code, and also visit and audit each manufacturer every year.

Each manufacturer has to recommit to the code annually and sign a declaration of compliance letter.

A number of subscriber records were examined. The audit schedules were adhered to, and audit reports were complete and retrievable. Any actions for minor non compliance had been identified on the audit reports. Of those examined all had been followed up and signed off as complete.

## **Subscriber Withdrawal and Sanctions for Non Compliant Member Businesses**

Non complaint subscribers face a range of sanctions including suspension of membership, closer scrutiny or expulsion.

The Independent Compliance Assessment Panel (ICAP) is independent from Motor Codes, and monitors the operation of the code and subscriber compliance. Any serious or persistent breaches of the code are reviewed by the Panel. The outcomes are published annually. No subscribers to the New Car Code have ever been referred to the Panel.

As part of the process review, in January 2014, the existing penalty point system will be replaced by suspension for non compliance with the code.

The subscriber database was examined for any instances where penalty points had been awarded.

No issues were raised with the sanctions procedures.

## **Marketing and Advertising by Member Businesses**

Motor Codes issue best practice branding guidelines to all their subscribers, and all new subscribers receive a pack of marketing and branding materials when they join the code.

There were no issues of concern with marketing and advertising.

## **Terms and Conditions and other Pre-Contractual Information**

Motor Codes do not issue standard terms and conditions, however subscribers do have to ensure their terms and conditions are clear, use plain English and comply with consumer legislation.

The New Car Code requires warranties to be written in plain English. Standard paperwork for use when consumers purchase a new vehicle, such as the order forms are supplied by manufacturers to the motor retailers.

## **Customer Service Provisions**

No subscribers to the New Car Code use premium telephone numbers for their customer service or complaints telephone numbers.

## **Consumer Complaints Process**

The complaints process for the New Car Code was examined.

The customer complaint workflow was examined and found this to be comprehensive and clear. It was noted that there was a penalty points system that Motor Codes operate for subscribers that fail to respond or provide an adequate response within set time limits. Put simply, a response taking longer than 10 days results in 6 penalty points, which escalates upwards the longer the delayed response. The accumulation of penalty points over a 12 month period can result in a written warning (30 penalty points) up to suspension/expulsion and referral to the Independent Compliance Assessment Panel (80 penalty points). This provides an effective means of imposing sanctions for non-cooperation with the scheme. Although will be changed to suspensions for non compliance in the new year

There were 5000 complaints received regarding the New Car Code in 2012/13. Of these, only 1-2% progress to the arbitration stage.

In the majority of cases consumers purchase vehicles from retailers not directly from the manufacturers covered by the code. However, all the subscribers to the New Car Code have committed to ensuring their main dealers sign up to the Service & Repair Code, to ensure consistency in the complaints handling process. These main dealers represent 98% of all new cars sales in the UK.

Also, if it appears as if the retailer would be liable under the Sales of Goods Act, the manufacturer will intervene and offer a new vehicle or a repair as appropriate. Warranty disputes are the main issues that generate complaints.

There are sufficient resources to handle the volume of complaints received. There was no backlog and all of the complaint records review were, within reason, and up-to-date. Motor Codes keep their capacity and utilisation under constant review. It was noted that their staff utilisation had steadily risen from around 70% to around 95%, indicating strong productivity, but a risk of reaching a point where additional staff may be required. Systems were in place to flag additional staff requirements, when necessary, to the management team.

Several complaints were examined. They were properly recorded, up to date and progressed in a satisfactory manner.

The alternative dispute resolution process was examined and found to be satisfactory. One case was examined through the ADR process. In this particular case, the ADR had been concluded in favour of the complainant. It was noted that Motor Codes had verified that the ADR remedy had been implemented by the subscriber.

**Best practice:**

The ADR judgements are shared with the consumer advisors to read so that they can learn about how to improve complaint handling and the conciliation/fast track resolutions.

## **Customer Satisfaction and Feedback**

The New Car Code 'brief guide' has a customer satisfaction survey at back, that consumers can complete when they receive their new car. The brief guides are also sent to customers if they ring up Motor Codes Limited or the subscriber with an enquiry or a complaint.

Manufacturers order these from Motor Codes Limited.

Some manufacturers also email customers a link so they can leave online customer feedback.

All customer feedback is logged by Motor Codes. Typically 200 – 300 feedback forms are received per month.

Motor Codes Limited has an internally facility that allows them to filter and search on different parameters, to look for any themes or issues in customer feedback. The free text comments are read to ensure any issues are picked up. For example, there was an issue of warranty claims being rejected as the customer had not kept to servicing intervals. However, the issue claimed under the warranty was not examined under the servicing schedule. Motor Codes declared this restriction

unfair, and the code was amended to reflect this change to the terms and conditions of the warranties linked to new cars.

Detailed report behind this goes back to individual manufacturers. Motor Codes Limited has a league table for all subscriber brands and each manufacturer. Each are told their place in the league.

Motor Codes also complete an annual targeted survey of 500 customers who have purchased a new car in the last two year, per brand.

A summary of the customer survey results and any comments on any themes or emerging issues is reported in the Motor Codes Limited annual report, which is loaded onto the Motor Codes Limited website.

Of the customer feedback processes examined, all data was present and retrievable.

## **Conclusions**

Motor Codes are fulfilling their obligations as a code sponsor, and their membership is compliant with the CCAS core criteria and the Motor Codes New Car Consumer Code.