

Motor Codes Limited New Car Code – Audit

November 2014

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.

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

Audit Process

Three qualified trading standards practitioners from the Trading Standards Institute (TSI) completed an onsite audit over 1 day. The three codes operated by Motor Codes Ltd were audited together as some of the processes were common to all three codes. The audit focused on the following areas and consisted of staff interviews and examination of hard copy and electronic records.

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.

Some brands make it a condition of 'signing up to brand' to also sign up the Service and Repair Code for their franchise dealer networks.

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.

Motor Codes Ltd put a high level of resource into the top 10 dealer groups and manufacturers and for some manufactures have regular articles in the manufacturers 'green top' newspapers to further publicise the codes and any relevant issues.

Subscriber Withdrawal and Sanctions for Non Compliant Member Businesses

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

There is a penalty point system based on failure to comply with response times in relation to the management of a complaint,

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.

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.

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. Most complaints are received by phone or email. Standard details are taken and entered onto a database. A small number of complaints were received by post this was typically when there were a number of documents associated with the complaint.

The customer complaint workflow was examined and found this to be comprehensive and clear. A comprehensive database was used for all complaints which were colour coded to enable efficient management of the complaints. All customer advisors had full visibility of complaints and their current status to ensure that any advisor could respond to a complainant or code subscriber .

There were 5000 complaints received regarding the New Car Code in 2013. Of these, less than 1% progressed to the legally binding arbitration stage.

Motor Codes have good links with Citizens Advice and have since 2012 received complaints directly from Citizens Advice staff under the New Car referral pilot scheme.

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 may intervene and offer a replacement 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 was operating at approximately 95%, indicating strong productivity, but near capacity the company may be 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. Those complaints that cannot be resolved through the Code Advisory and Conciliation service can be referred to an independent arbitration service.(Alternative Dispute Resolution or ADR)

The alternative dispute resolution process was examined and found to be satisfactory. The current ADR provider was IDRS Ltd

The previous best practice of sharing ADR judgements with all the consumer advisors so that they can learn about how to improve complaint handling and the conciliation/fast track resolutions and give consistent advice for typical complaints has continued.

Best Practice

The complaint database with colour coding and 'flags' for time in process with full visibility to all advisors was considered to be best practice in the management of a complaint handling service.

Customer Satisfaction and Feedback

The New Car Code 'brief guide' that is given to purchasers of a new car has a customer satisfaction survey at the back of the Code which is sent by post. The brief guides are also sent to customers if they ring up Motor Codes Limited or the subscriber with an enquiry or a complaint.

All customer feedback forms are 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 in 2013 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.

There are detailed and targeted reports run which are sent 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 1000 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.