

## Motor Codes Limited Vehicle Warranty Product Consumer Code – Audit November 2014

### Background information

The Society of Motor Manufacturers and Traders had a consumer code for vehicle warranty products since 1990. In 2005 general insurance became a regulated area, so the various vehicle warranty and guarantee products consumers could buy sat within both the regulated and non-regulated sector.

The Motor Codes Limited Vehicle Warranty Consumer Code is an updated version of the code that has been in place for SMMT members since 1990 and is supported by 9 subscribers, covering around 60-70% of the market. The businesses who sell the products to consumers are not within the scope of the code.

The code was withdrawn in 2011 and re-written to strengthen the financial checks each subscriber is required to make on each of the businesses who sell their products, to provide additional protection to consumers from business failure.

### Audit Process

Three qualified trading standards practitioners from the Trading Standards Institute (TSI) completed an onsite on one day. All three codes operated by Motor Codes Ltd were audited on the same day due to the common processes. 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 subscribers
2. Subscriber auditing-content and process (including general compliance with the code, staff training and dealing with consumer complaints)
3. Sanctions for non-compliant subscribers
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

#### Subscriber Application Process

Motor Codes have 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 subscriber withdrawal

## **Summary**

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

### **New Subscribers**

The subscriber application process was examined.

Motor Codes Limited met with each potential new subscriber to the code face to face, to assess if the business complies with the code and the standard terms. Each potential new subscriber has to pass a 'fit and proper test' to ensure they are suitable to join the code.

Once a business is accepted into the code, they have to sign an annual compliance letter to demonstrate their commitment to the code and meeting the required standards.

Several recent subscribers were checked on the member database and no issues were found. All the audit reports and results of audits were retrievable a sample were examined and were satisfactory.

### **Existing Subscriber Inspections/Audit**

The process for auditing existing subscribers is the same as for new applicants. Each subscriber is visited by Motor Codes each year, is audited against the code standards and has to sign an annual compliance letter.

A number of subscriber records were examined. The audit paperwork was retrievable, and no issues were found.

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

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

Motor Codes maintain a 'closer scrutiny' spreadsheet for those subscribers who are considered a higher risk for a variety of reasons. Motor Codes keep an eye on these subscribers to ensure they stay compliant and are following the requirements of the code at the time of the audit one subscriber was subject to 'closer scrutiny'.

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 have been reported to the ICAP to date.

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

No issues were raised with the sanctions procedures.

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

Motor Codes issue branding guidelines to all their subscribers, and all new subscribers receive a pack of marketing and branding materials when they join the code. The code requires marketing material to be in plain English. Motor Codes check marketing and advertising material as part of the annual audit, and also check subscribers' websites periodically, to ensure they are complying with the requirements of 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, except for all consumer contracts having a 14 day cooling off period. However subscribers do have to ensure their terms and conditions are clear, use plain English and comply with consumer legislation.

## **Customer Service Provisions**

No subscribers to the vehicle warranty products code use premium telephone numbers for their customer service or complaints telephone numbers.

## **Consumer Complaints Process**

The complaints process for the vehicle warranty product code was examined.

The level of contacts concerning warranty issues is low running at approximately 300 per year, however this is forecast to increase during 2015 following the appointment of numerous new subscribers. Additionally, following the codes reintroduction this year it is likely consumer awareness of the code will increase when new policy documents include information on the code within them

Contacts were categorised and trend analysis carried out.

The customer complaint workflow was examined and found this to be comprehensive and clear. The previous penalty point system for failure to comply with laid down timescales for response has been changed to suspensions for non compliance.

There were sufficient resources to handle the volume of complaints received. There was no backlog and all of the complaint records reviewed were up-to-date and monitored a colour coded system was used and all staff had visibility of all complaints to ensure continuity. Motor Codes keep their capacity and utilisation under constant review. It was noted that their staff utilisation was around 95%, almost at capacity and reaching a point where additional staff may be required as more and more subscribers join the scheme and consumers become more aware of its operation. Systems were in place to flag additional staff requirements, when necessary, to the management team.

Several complaints were examined. They had been properly recorded, up to date and progressed in a satisfactory manner. There did not appear to be any undue delay in the processing of any of the complaints reviewed.

The best practice complaint form database used by Motor Codes had continued and improved with all necessary information being captured on one simple form.

**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.

The alternative dispute resolution process was examined and found to be satisfactory. No cases have gone to ADR under the vehicle warranty product code.

If a complaint was received relating to an insured product, Motor Codes would refer the consumer to the Financial Conduct Authority and the Financial Services Ombudsman would deal with the dispute.

**Customer Satisfaction and Feedback**

Each customer should be given a brief guide to the code when purchasing any vehicle warranty product covered by the code. Targeted surveys are sent out by Motor Codes to randomly selected customers to check the operation of the code

The results are fed back to each subscriber, and any issues identified in the survey are taken up with them directly.

Of those consumers surveyed, they reported over 90% overall satisfaction, rating the service they received as good or very good.

The Motor Codes database was examined. Feedback was recorded as received, analysed and a summary report had been sent to all subscribers and published on the Motor Codes website.

**Conclusions**

Motor Codes are fulfilling their obligations as a code sponsor, and their subscribers are compliant with the CCAS core criteria and the Motor Codes vehicle warranty products consumer code. The proposed actions including continual training of any new subscriber to the vehicle warranty products code will further strengthen the operation of the code to the benefit of consumers.