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## THE MOTOR OMBUDSMAN

### Vehicle Warranty Products Code

### Audit December 2018

#### Background information

The Vehicle Warranty Products Code was launched in 2009, and it was later endorsed by the Office of Fair Trading (OFT) in 2011. The OFT brought in the new Consumer Codes Approval Scheme (CCAS) under the Enterprise Act 2002 following the demise of the OFT. The CCAS is now administered by the Chartered Trading Standards Institute (CTSI).

Businesses accredited to this Code cover approximately 70-75% of the extended warranty market.

The Motor Ombudsman, formerly known as Motor Codes, has been approved by the Ombudsman Association (OA) to operate as an Ombudsman since November 2016. All Codes have since been adapted in line with Ombudsman processes with all accredited businesses migrated over from Motor Codes.

The Motor Ombudsman operates four Codes which have many similarities in the way in which they are managed, and the sanctions applied to members who breach a Code.

The four Codes are:

- The Motor Industry Code of Practice for New Cars
- The Motor Industry Code of Practice for Vehicle Sales
- The Motor Industry Code of Practice for Vehicle Warranty Products
- The Motor Industry Code of Practice for Service and Repair

Many businesses are accredited to more than one Code.

#### Audit process

A qualified Chartered Trading Standards Practitioner from the Chartered Trading Standards Institute (CTSI) carried out a desktop audit. The audit was based on a detailed pre-audit questionnaire with a large volume of associated documents and the most recent Annual Report (2017) published on 5<sup>th</sup> December 2018.

The Audit looked at the following areas:

- The accredited business application process including checks on prospective businesses
- Accredited business auditing-content and process
- Terms and conditions
- Marketing and advertising by accredited businesses
- Sanctions for non-compliant accredited businesses
- Customer service provision (including support for vulnerable consumers)
- The consumer complaints process (ADR)
- Customer satisfaction
- Training provided by accredited businesses to meet their obligations
- Outstanding Issues from the 2017 audit

## **Audit summary**

### **Summary**

The Code continues to provide efficient and effective consumer protection in this sector.

### **New accredited businesses**

In most cases, an applicant will make contact with The Motor Ombudsman by e-mail or phone where they will liaise with a member of the Business Services department who will answer any questions and explain the application process. Following the conversation, an application form is issued.

Once the business has returned their completed application form a member of the Business Services department will review the information provided and conduct a pre-check of the business.

Assuming the assessment doesn't flag up any concerns, the application will be processed with the organisation marked as a provisional accredited business (new applicant). The application will then be passed to the compliance Team who will work with the business in completing an evidence-based self-assessment.

Once the business has passed their self-assessment, they will be fully accredited to The Motor Ombudsman and will receive their Welcome Pack.

### **Existing accredited business inspections/audit**

The audit process is carried out through a combination of self assessments and physical on-site checks.

All members of Businesses accredited to the Code sign compliance documents on an annual basis. They are also requested to attend at least one committee meeting

a year which is an additional way to monitor industry trends, best practice and gain an insight into the outlook for the sector.

The compliance programme for the Code requires a physical audit to be carried out on an accredited business at least once every five years. To make sure this target is achieved, TMO has established systems in place to report on the audits once they are completed. They will equally be exploring other options to increase coverage of the physical audits in 2019 to further improve the effectiveness and strength of TMO's compliance processes.

No physical audits were carried out in 2018, but all accredited businesses completed a self-assessment. They will also be subject to a physical audit in 2019 in line with the requirement to have a physical audit every five years.

The annual self assessment has now been aligned with the annual renewal documentation.

### **Accreditation withdrawal and sanctions for non-compliant accredited businesses**

Accredited businesses receive penalty points for instances where they fail to comply with the adjudication process. Some of these points may be awarded to the business for a relatively minor infringement, for example failing to respond to an adjudicator within the allotted time period due to an absence from the business. In such instances, an adjudicator can opt to remove penalty points should they feel the mistake to be genuine and a one-off.

For continued instances of non-compliance, businesses will continue to receive penalty points until they reach a total of 42. At this point, the matter will be handed over to The Motor Ombudsman's Compliance team who will investigate the cause of the non-compliance directly and add the business to the Closer Scrutiny log.

Should these instances of non-compliance continue, the business will be referred to TMO's Independent Compliance Assessment Panel (ICAP) who will consider the appropriate sanction which could be a further warning, suspension or expulsion.

No accredited business has been subject to disciplinary action in 2018.

### **Marketing and advertising by accredited businesses**

All new businesses to the Vehicle Warranty Products Code receive a Welcome Pack, which includes the essential information they need to know about the Code of Practice as well as The Motor Ombudsman documentation they need in order to be compliant.

## **Terms and conditions and other pre-contractual Information**

All accredited businesses must have copies of the Code of Practice and Consumer Guides on site, which they confirm as part of their self assessment, as does ensuring that their certificate is publicly displayed within their reception area.

Additionally, all businesses must have terms and conditions. To assist businesses with ensuring that they have the required items, TMO has a range of products available to buy through The Motor Ombudsman's online Code Shop. They also have a range of signage and stickers available to purchase, which include the TMO and Approved Code logo to allow businesses to promote their accreditation.

TMO requires that accredited businesses display its logo and contact information on their website, and has previously circulated (via their monthly newsletter) best practice for wording which also forms part of the Welcome Pack. To better monitor this coverage, TMO has developed a Smart Badge following guidance from CTSI that provides analytical data on how widely used it is. Another benefit of the Smart Badge is the ability for consumers to 'click to verify' a business's accreditation is still active. This provides consumers with instant peace of mind that they can turn to TMO should the need arise.

## **Customer service provisions**

GDPR requirements have been addressed, as have changes needed by the Consumer Rights Act (CRA) 2015.

TMO has developed e-based training on key legislation such as the CRA and ADR Regulations available to accredited-businesses. These online modules have proved a popular and effective way of training staff on the core legislation affecting the industry without the need for staff to physically attend a classroom. As the training has been developed directly with TMO (in partnership with CTSI), it is automotive specific which only adds greater value to its content for TMO's accredited businesses.

As part of the self-assessment, TMO checks that all businesses have undertaken some form of ADR training. Within the self-assessment TMO also asks businesses to provide a complaints log. This, like many of the questions, includes a reference to why it is important for a business to have a complaints log and the associated benefits. TMO actually provides an example illustration for accredited businesses that can be downloaded directly from the assessment and kept for best practice. TMO has recommended this to the majority of their businesses who might not necessarily have a robust complaints log in place.

Similarly, within the assessment, TMO asks the business to confirm that they have the logo referenced on the website and the certificate displayed on the premises. This not only helps to promote their accreditation to consumers, but also acts as a reminder to staff of their commitment to the Code/s. Whilst this has not been as effective as TMO would have hoped, they are looking to increase logo usage and tackle the misuse of logos in 2019.

Furthermore, TMO has developed a policy to help assist with vulnerable customers which has been discussed at committee meetings and later shared as an example to be adopted. If necessary, this can be tailored by businesses to best assist their staff in dealing with customer queries.

Away from fixed or planned training, TMO operates an Information Line which provides information to consumers and businesses alike on their legal rights or obligations. This Information Line is manned by TMO's customer service advisors who have all undergone automotive specific legal training, and experienced team of adjudicators all possess a legal degree as a minimum standard.

On a similar note, TMO's adjudicators and in-house ombudsman regularly provide recommendations for training or amendments to existing business policies within their rulings. This has proved effective in highlighting how amendments to policy or further training can be beneficial to businesses, as it comes at the end of a dispute and acts as the 'case in point'. This also helps TMO to meet one of its core ambitions of always driving industry standards up by the operation of its Code. This is likely to become more widespread in 2019 on the back of further system developments that will enhance TMO's data capturing abilities and hopefully allow for targeted communications to businesses that promote guidance which could prove helpful to them.

### **Consumer complaints process**

During 2018, there were 1,294 consumer contacts concerning warranty products, a year-on-year increase of 63%.

The ADR function at TMO is 100% in-house and the complaints process is included in the Code of Practice booklet, alongside TMO's contact details.

The consumer journey is managed by TMO throughout. Consumers will first liaise with a customer service advisor by either post telephone or e-mail, who will assess the dispute to see if it falls within the TMO remit. If TMO cannot deal with the dispute, an enquiry is logged for monitoring purposes and the consumer is signposted to other organisations. If TMO can help, a case file is created and an enquiry form sent to the consumer. This form enables TMO to collect relevant details about the complaint – consumers will complete it and send it back with any documentation they would like TMO to consider. Upon receipt, an adjudicator will check that TMO has all of the information they need, as well as verifying it does fall within remit, and will then send the complaint to the business for their response.

Once both sides of the story have been received, the adjudicator will assess the complaint and either try and find an amicable resolution or deliver an outcome. If either party is unhappy with the outcome, the complaint will be referred to the ombudsman. Both parties can submit additional information if they wish, and the ombudsman may investigate the complaint further before reaching a final decision. If the consumer accepts the final decision, it becomes binding on the accredited business.

TMO is certified as an approved ADR body under the ADR Regulations and has been since the Regulations came into force in 2015. In February 2018, TMO

underwent and passed an audit to continue as an approved ADR body, with the next audit due in Q1 2019.

TMO is also validated through the Ombudsman Association through to 2021 when TMO will go through the Ombudsman Association's revalidation procedure.

### **Customer satisfaction and feedback**

Consumers can leave feedback about a vehicle warranty provider on the Vehicle Warranty Products Code section of The Motor Ombudsman website. This function has only been operating since 2018 with limited success, and TMO is looking at ways to obtain further customer feedback in 2019.

<p><b>Recommendation</b> TMO should continue to explore ways to obtain customer feedback about warranty providers.</p>
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### **Conclusions**

The Motor Ombudsman TMO is continuing to meet its obligations as a Code Sponsor in the Vehicle Warranty Products sector and provides significant consumer protection. The five-year business plan, and ongoing work on customer satisfaction feedback, will further strengthen the performance of the Code.