



Vehicle Sales Dispute Trends January to June 2021 and Sector Outlook



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SECTION 1. Overview

New and used vehicle sales are the largest drivers of disputes received by The Motor Ombudsman every year, making up 44% of cases considered by the Ombudsman for the automotive industry in 2020.

With the onset of COVID-19, the face of the vehicle retailing landscape has changed dramatically, bringing both an array of challenges and positives for businesses that operate in this arena.

This paper explores the following key subject areas:

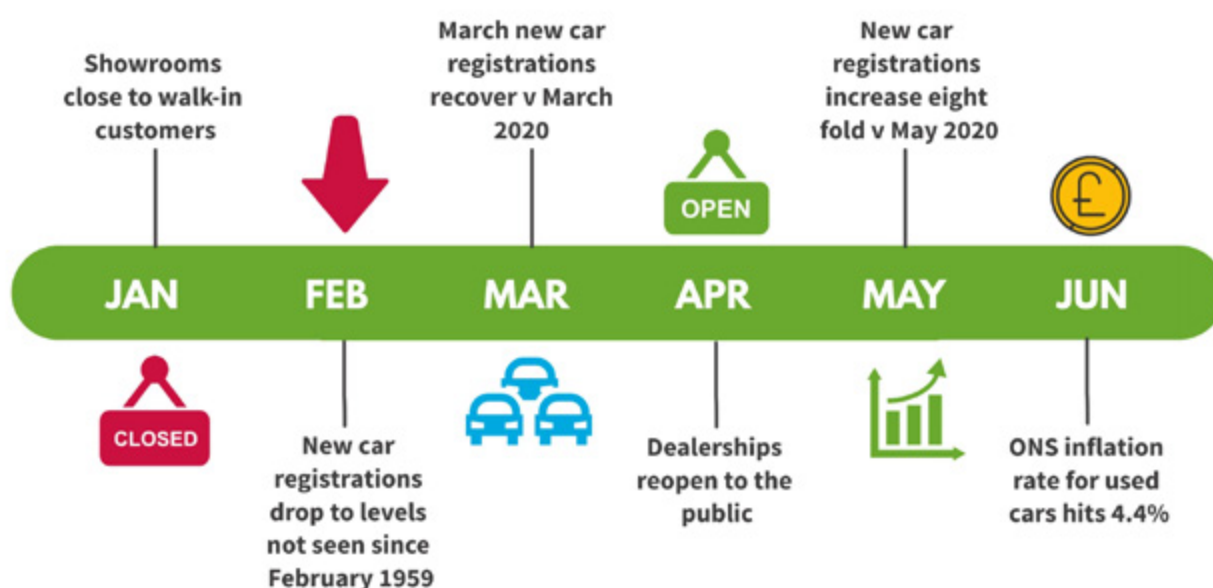
- The highs and lows of the vehicle sales sector during the first half of 2021 (this will be referred to as “H1” for the purpose of this paper);
- The principal reasons for consumers bringing complaints about a new or used vehicle purchase to The Motor Ombudsman during H1;
- How these trends compare to the same period in 2020;
- The preferred remedies sought by consumers to conclude their sales disputes;
- How car retailers accredited to The Motor Ombudsman’s Vehicle Sales Code have viewed H1; and
- What they deem the outlook to hold for the remainder of 2021.

SECTION 2. Setting the scene: The vehicles sales sector in the first six months of 2021



The first six months of 2021 was a tale of two halves in the vehicle retail sector (refer to Fig.1). Showrooms closed their doors to on-site customer visits at the start of **January** in tandem with COVID-19 restrictions introduced by government, which had a substantial knock-on effect on vehicle sales during the months that followed. For example, in **February**, new car registrations dipped to levels unseen for that month since 1959¹. Then, in **March**, typically an important period in the sales calendar due to the first plate change of the year, new car registrations did increase versus the same month in 2020 when the pandemic began to impact the UK economy. However, this was still 36.9% down on the 10-year March average. It also saw the first quarter of 2021 close with 58,032 fewer cars registered compared to January to March 2020².

► Fig.1: Vehicle sales sector highlights during H1 2021



¹Source: The Society of Motor Manufacturers and Traders (SMMT)

²Source: The Society of Motor Manufacturers and Traders (SMMT)

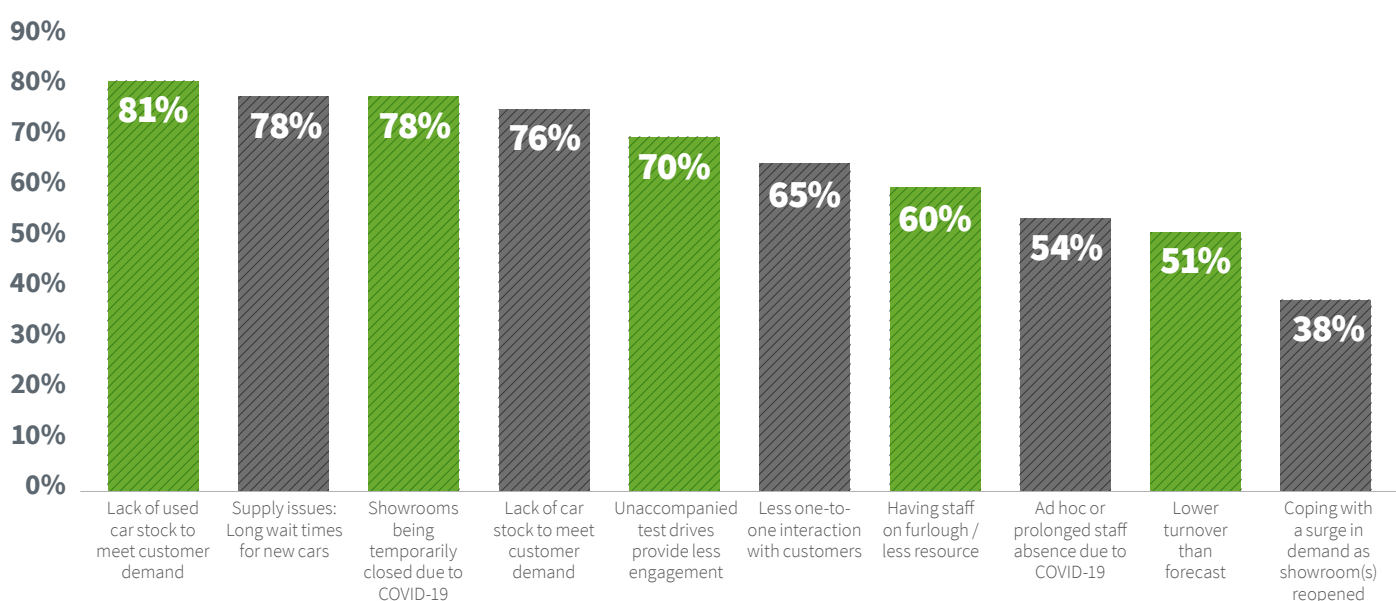
As shown in Fig.1, **April** proved a key turning point in the first six months of 2021, with car showrooms across the nation opening their doors to the public once again after a sustained period of temporary closure due to COVID-19 restrictions. This meant that new vehicle registrations continued to stage a recovery in **May**, equivalent to eight times the volume seen in the same month in 2020 when purchases were heavily restricted to “click and collect” services and home delivery as the pandemic started to bite. However, despite showrooms trading “normally”, the new car registration figure was still 14.7% down compared to May 2019 before the Coronavirus emerged.

In **June** alone, the Office for National Statistics (ONS) inflation rate for used cars hit 4.4%³ due to the well-publicised stock shortages. This figure is echoed by separate research undertaken for Car Dealer magazine by Cap HPI, which showed that values had risen by as much as £8,000, and 32% individually in some cases, for cars at the three-year / 30,000-mile mark⁴.

► Behind these statistics, car retailers have faced several challenges during the first six months of 2021

The Motor Ombudsman conducted a snapshot survey of businesses accredited to its [Motor Industry Code of Practice for Vehicle Sales](#)⁵ in July 2021 to understand, amongst other subjects, the challenges that new and used car retailers have had to navigate since the start of 2021. These will now be discussed in turn.

► Fig.2: The main challenges encountered by vehicle retailers during the first half of 2021



⊗ A lack of new and used stock has emerged as one of the biggest pinch points for car retailers during the first half of 2021

As seen in Fig.2, a shortage of new and used stock available for sale was quoted by around four fifths of businesses as having been a major concern throughout the first six months of the year. This has evolved from a number of key factors coming together in a perfect storm, which started with the first lockdown back in March 2020. This hampered the manufacturing of new vehicles, reducing supply to the market. This also meant that makers of semiconductor chips, which are used in most electronic devices and provide a variety of functions, ranging from computing to storage and memory⁶, diverted a greater proportion of supply to the global consumer electronics market to fill this newly-found void in demand.

However, when COVID-19 restrictions were reduced, and vehicle production resumed, there was an insufficient quantity of semiconductor chips to service the demand from carmakers, thereby decreasing the supply of new cars. This meant that customers who would have ordinarily opted for a new car turned to the used market. However, hundreds of thousands of part-exchanges never happened because of the pandemic, thereby reducing the level of used car stock available to sell to consumers⁷.

³ Source: BBC - <https://www.bbc.co.uk/news/business-57809849>

⁴ Source: Car Dealer - <https://cardealermagazine.co.uk/publish/exclusive-some-used-car-values-are-up-by-over-8000-in-past-three-months-as-current-used-car-boom-continues-to-smash-records/229177>

⁵ Source: Online Motor Ombudsman survey of 37 businesses accredited and previously accredited to the Motor Industry Code of Practice for Vehicle Sales, conducted between 05th July 2021 to 02nd August 2021

⁶ Source: Fox Business - <https://www.foxbusiness.com/economy/global-semiconductor-shortage-causes>

⁷ Source: BBC - <https://www.bbc.co.uk/news/business-57809849>

⊗ Stock shortages have been compounded by longer vehicle delivery times

As well as facing stock shortages, retailers waiting longer for the delivery of new cars to customers, when they did eventually become available from the manufacturer, has equally posed a significant challenge for over three quarters (78%) of Motor Ombudsman survey respondents. This was echoed in an article by Auto Express, which reported that certain companies were quoting delivery times in 2022 for cars that would usually take just a few weeks to arrive⁸, highlighting the extent of the delays being incurred.

⊗ Accompanied test drives used to be a prime opportunity to engage with customers



Not having the opportunity to engage with customers during unaccompanied test drives due to COVID-19 restrictions was cited as a challenge by 70% of poll participants; going out with the customer on the road has long been an established practice, and an important tool in the sales armoury.

Although, this may make securing a purchase more difficult for retailers, consumers are, in contrast, enjoying having the freedom to explore the vehicle for themselves. This was reflected in recent research by AX Innovation⁹, which showed that almost two thirds (63%) of drivers would like unaccompanied test drives to become standard practice going forward, mainly as it allows them to concentrate on the car itself, without any distractions from the salesperson.

⊗ Reduced staffing levels has made trading more difficult

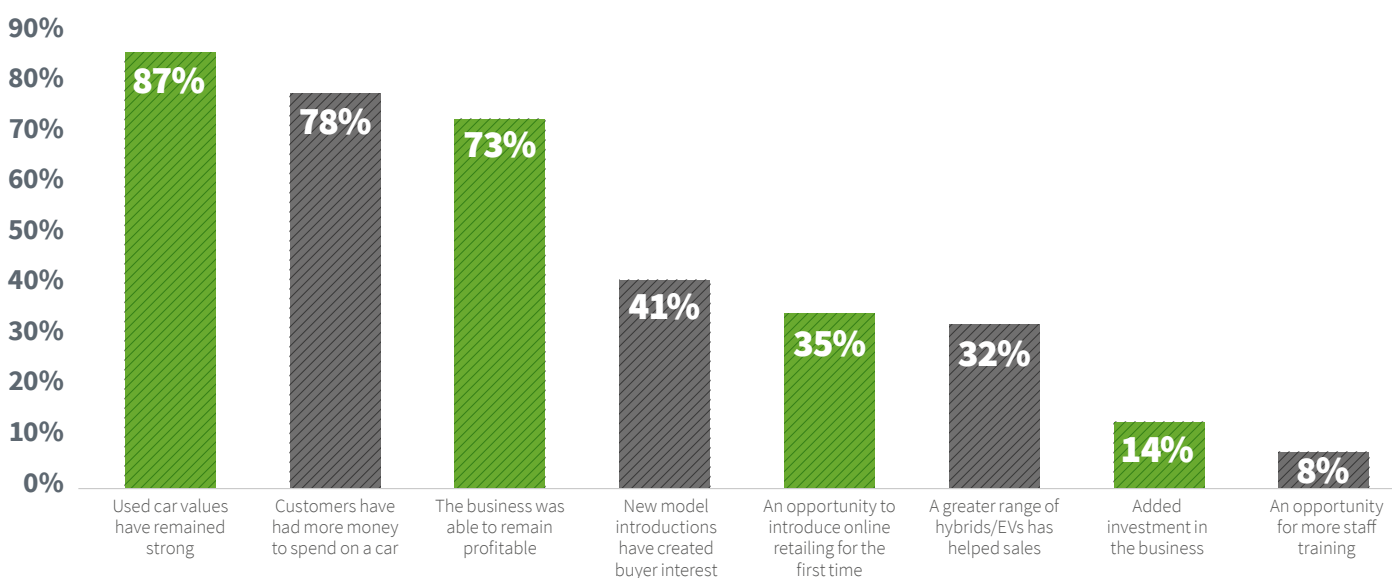
On the subject of staff, 60% of respondents in The Motor Ombudsman's survey said that having employees on furlough or an insufficient number of personnel to meet the needs of the business has been a concern during the first two quarters of 2021. Some also went on to comment that recruitment issues have also been exacerbated by Brexit due to a smaller pool of workers from abroad, whilst increased staff turnover has similarly posed a problem for car retailers.

These survey findings are reflected in a comment made by Fraser Brown, Managing Director of motor trade consultancy Motor Vise, who said: "Car retail's current staffing issues have been exacerbated by the reduced availability of EU workers, and the fact that the motor trade has a reputation for long hours"¹⁰.

It is not solely a reduced pool of staff to recruit from, but absenteeism due to COVID-19, and people having to self-isolate, has equally been an issue for just over half of businesses (54%), as has the hesitancy of employees to return to the showroom due to a fear of being at increased risk of catching the virus.

► As well as the challenges, H1 has also brought a number of plus points to the vehicle retail sector

► Fig.3: The main challenges encountered by vehicle retailers during the first half of 2021



⁸ Source: Auto Express - <https://www.autoexpress.co.uk/opinion/355608/new-car-shortage-means-some-deals-offer-are-hard-turn-down>

⁹ Source: Motor Trader - <https://www.motortrader.com/motor-trader-news/automotive-news/drivers-like-unaccompanied-test-drives-become-standard-13-07-2021>

¹⁰ Source: AM Online - <https://www.am-online.com/news/supplier-news/2021/07/26/car-retail-recruitment-ramps-up-400-to-compete-with-leisure-and-hospitality>

✔ Used car values have remained strong

Although used car values pose the aforementioned risk to car retailers of being left with potentially over-priced stock if prices in the market were to readjust to normal levels, the higher used car values have also been successfully passed on to the consumer according to dealer profitability specialist ASE¹¹, which has helped to deliver record levels of profitability for vehicle retailers. This is reflected in Fig.3, where 87% of those polled have placed used car values remaining strong as the number one positive of H1.

✔ Pent-up demand has also improved profitability

According to the BBC, "forced savings", i.e. unspent money by consumers during lockdown periods, hit £200 billion¹², some of which is now making its way into the vehicle sales sector. Combined with the fact that showrooms were closed for a sustained period, this has created a flow of disposable income and demand into the car market, thereby bolstering the bottom line of dealerships and helping them to stay afloat during an uncertain trading period.



✔ Online retailing has come to the fore

With consumers unable or more hesitant to visit physical retail premises due to COVID-19, online car buying truly came to the fore during the pandemic. With internet car sales proving a vital lifeline for sellers of cars, this has spurred businesses into venturing into the virtual arena, with around a third of those polled (35%) explaining that they had tried it for the first time since the beginning of 2021.

A press release issued by Auto Trader in July 2021 explained that the distance consumers are prepared to buy or receive their next car from has increased significantly over the course of the pandemic, highlighting the significant market opportunities for retailers who are embracing online retailing. They also added that, with growing

consumer confidence in buying online, this trend was set to continue, painting an encouraging picture for those businesses that decided to take the plunge in H1.

✔ New model introductions and a bigger range of EVs and hybrids have helped to drive footfall

New model introductions during the pandemic have helped drive consumer interest in changing their car, according to 41% of businesses surveyed by The Motor Ombudsman. Furthermore, as seen in Fig.3, a greater range of greener and zero emission models has also helped to recover lost sales during the pandemic (32%). This is equally reflected by the fact that during the first six months of the year, new battery electric vehicle (BEV) registrations rose by 139% compared to the same period in 2020, with plug-in hybrid models increasing by a significant 197%¹⁴, demonstrating the shift in consumer demand towards these types of vehicles.

¹¹ Source: Motor Trader - <https://www.motortrader.com/motor-trader-news/automotive-news/dealers-deliver-record-used-car-profits-rising-prices-08-07-2021>

¹² Source: BBC - <https://www.bbc.co.uk/news/business-57809849>

¹³ Source: Auto Trader press release of 01st July 2021: "Selling online unlocks bigger market for retailers as the distance between buyer and seller increases significantly"

¹⁴ Source: The Society of Motor Manufacturers and Traders (SMMT)



SECTION 3. What were the principal causes of the vehicle sales disputes brought by customers to The Motor Ombudsman during H1?

A total of **3,101** vehicle sales disputes were submitted by consumers and accepted by The Motor Ombudsman during the first six months of this year. This is up 39% on the same period in 2020 (**2,225**). This could be explained by the fact that showrooms re-opened in the second quarter of 2021 following the lifting of COVID restrictions, leading to an increase in vehicle purchases due to people returning to work and holidaying, higher disposable income due to savings made during lockdown, and a preference to avoid public transport during the pandemic.

Problems with a drivetrain component acted as the catalyst for **45%** of vehicle sales complaints in the first half of 2021, which is relatively consistent with what was seen in the same period a year ago (44%). Issues relating to exterior elements of a car fell year-on-year from 19% to **13%** of complaints, with chassis components following the same downward trend, decreasing from 12% to **8%** between H1 2020 and H1 2021. In contrast however, non-mechanical issues such as customer service, and undiagnosed faults, rose by nearly 10% to **20%** of causes of vehicle sales complaints by consumers, with electrical problems also increasing marginally year-on-year by 2% to **7%** of complaints. Interior and security issues remained unchanged between H1 2020 and H1 2021 at just 4%, with vehicle accessories reporting the smallest annual drop in the number of complaints, down from 6% to just **4%** overall.

► **Table 1: The cause of vehicle sales disputes by overall issue type (H1 2020 and H1 2021)**

Type of issue reported by consumer (%)	H1 2020	H1 2021	Difference (H1 2020 v H1 2021)
1. Drivetrain*	44%	45%	▲ 1%
2. Exterior (body)	19%	13%	▼ 6%
3. Chassis**	12%	8%	▼ 4%
4. Non-mechanical issues or unknown faults	11%	20%	▲ 9%
5. Electrical	5%	7%	▲ 2%
6. Interior	4%	4%	No change
7. Security	7%	7%	No change
8. Vehicle accessories	6%	4%	▼ 2%

*The drivetrain is defined as the group of components that deliver power to the driving wheels of a vehicle. It includes the engine for the purpose of The Motor Ombudsman classifying the issues reported by consumers

**The chassis is defined as the supporting frame of the car. It includes the wheels for the purpose of classifying the issues reported by consumers



► **Tables 2a to 2d: Principal causes of consumer disputes by component**► **Tables 2a**

Principal causes of drivetrain issues by component as reported by consumers (%)		Principal causes of exterior (body) issues by component as reported by consumers (%)	
H1 2020	H1 2021	H1 2020	H1 2021
Turbo (10%)	Battery (10%)	Paintwork (38%)	Paintwork (32%)
Timing chain (8%)	Turbo (9%)	Doors (10%)	Headlights (13%)
Brake discs (7%)	Inlet manifold (8%)	Bumper (9%)	Windscreen (9%)
Pedals (6%)	Automatic transmission (6%)	Roof panel (7%)	Bumper (7%)
Engine block (5%)	Diesel particulate filter (DPF) (6%)	Tailgate (6%)	Roof panel (5%)
Manual transmission (4%)	Brake discs (5%)	Bonnet (4%)	Bonnet (4%)
Brake pads (4%)	Brake pads (4%)	Windscreen (4%)	Doors (3%)
Clutch plate (4%)	Engine coolant (4%)	Headlights (4%)	Door frames (3%)
Cambelt (4%)	Head gasket (4%)		Boot (3%)
Brake pedal (4%)	Timing chain (3%)		
Head gasket (4%)			

► **Analysis of drivetrain-related complaints by component**

When looking at the components that caused the most complaints within the drivetrain category, both the turbo and battery drove the largest volume of disputes during the first six months of this year (at 9% respectively). In H1 2020, the battery was not a prominent concern, and the turbo decreased very slightly year-on-year as a percentage of overall issues that were logged as part of a vehicle sales dispute with The Motor Ombudsman.

Post-purchase problems with the inlet manifold caused 8% of drivetrain-related complaints, with issues pertaining to the diesel particulate filter (DPF) and automatic transmission (6%) also apparent in 2021. Encouragingly, the timing chain as a cause of complaints dropped from 8% to 3% between H1 2020 and H1 2021.

Where stated, the top three reasons why consumers complained about a drivetrain-related issue in H1 2021 following the purchase of a vehicle were due to the **failure** of a component (36%), the **inferior quality** of a part (19%); and **noise** emanating from this area of the vehicle (8%).

► **Analysis of vehicle exterior (body)-related complaints by component**

Problems with a vehicle's paintwork have remained the main bugbear of motorists when it comes to a car's exterior elements, with complaints decreasing very slightly, from 38% in H1 2020 to 32% in H1 2021. Headlights however, contributed to a greater number of disputes in the first six months of 2021 when compared to the same period the year before (13% versus 4%), with the car's windscreen also following a similar trend, rising from 4% to 9% as the cause of consumer complaints in relation to the car's exterior components. The doors, door frames and boot accounted for the fewest number of problems at 3% each, which is encouraging to see, as the doors caused 10% of exterior-driven complaints in H1 2020.

Overall, the reasons for consumers submitting a body-related complaint were **quality** (34%) and **water ingress** (14%), which helps to explain why some of the components are listed in the two right-hand columns of Table 2a.

► Tables 2b

Principal causes of chassis issues by component as reported by consumers (%)		Principal causes of electrical issues by component as reported by consumers (%)	
H1 2020	H1 2021	H1 2020	H1 2021
Tyres (56%)	Tyres (42%)	Satellite navigation system (24%)	Infotainment system (32%)
Alloy wheels (17%)	Alloy wheels (27%)	Infotainment system (20%)	Satellite navigation system (30%)
Shock absorbers (12%)	Steering wheel (7%)	Bluetooth connectivity (18%)	Wiring loom (10%)
Steering wheel (4%)	Steering rack (6%)	Wiring loom (11%)	Bluetooth connectivity (9%)
Suspension springs (4%)	Power steering (6%)	Lane assist (7%)	Speakers (5%)
Axle bushes (3%)	Suspension springs (4%)	Advanced driver assistance (7%)	Cruise control (4%)
Steering rack (2%)	Steering column (4%)	Fuse box (4%)	Subwoofers (3%)
Power steering (2%)	Shock absorbers (3%)	Aerial (4%)	
Anti-roll bars (1%)	Axle bushes (2%)		
Steering column (1%)	Anti-roll bars (1%)		

► Analysis of chassis-related complaints brought by consumers

Tyres have continued to be the main drivers of consumer complaints pertaining to the chassis of a vehicle, but have nevertheless dropped as a source of disputes, from 56% to 42% between H1 2020 and H1 2021, which is positive to see. Alloy wheels have retained their place as the second highest cause of complaints, but in contrast to tyres, they have been responsible for a higher number of disputes, rising 10%, from 17% in the first six months of 2020, to just over a quarter (27%) for the same time in 2021. The steering wheel has also been a more prominent issue this year compared to last (7% in H1 2021 versus 4% in H1 2020), with the steering rack and power steering both echoing this rising year-on-year trend (6% compared to 2%). Reasons for consumers complaining about chassis components were predominantly around the **quality** of parts (23%) and their **failure** (19%).

► Analysis of electrical-related complaints brought by consumers

On the subject of electrical components, the satellite navigation and infotainment systems have been the source of the majority of complaints in this category in both H1 2020 and H1 2021. They have also increased year-on-year as a cause of concern, up from a combined 44% last year to a more significant 62% in the first six months of 2021. Conversely, the wiring loom and Bluetooth connectivity fell as a proportion of overall complaints in this area, from 29% to 19%, whilst speakers (5%), cruise control (4%) and the subwoofer (2%) all made new entries in H1 2021. **Sub-standard quality**, being **unfit for purpose**, and electrical components **no longer working** were the main reasons for customers contacting The Motor Ombudsman with their sales dispute in this area.

► Tables 2c

Principal causes of vehicle interior issues by component as reported by consumers (%)		Principal causes of security issues by component as reported by consumers (%)	
H1 2020	H1 2021	H1 2020	H1 2021
Seats (29%)	Seats (24%)	Keys (39%)	Keys (52%)
Air conditioning (21%)	Dashboard (15%)	Locks (30%)	Locks (15%)
Pedestrian airbag (12%)	Air conditioning (13%)	Alarm (12%)	Key fob (11%)
Dashboard (9%)	Odometer (11%)	Key fob (9%)	Central locking (11%)
Carpets (6%)	Pedestrian airbag (8%)	Central locking (6%)	Immobiliser (7%)
Heater (6%)	Carpets (5%)	Child locks (3%)	Alarm (4%)
	Heater (5%)		
	Heated seats (4%)		
	Climate control (4%)		

► Analysis of vehicle interior-related complaints brought by consumers

Seats retained the top spot in the vehicle interior category, accounting for just under a quarter of disputes submitted by customers during the first six months of 2021 following the purchase of a car. Although it is a downward trend, this is little change from what was seen with this component in the opening half of 2020 (29%). The dashboard has equally risen as a proportion of interior complaints, up from 9% in H1 2020 to 15% in H1 2021. Similarly, problems with the air conditioning remain a top three issue, but have fallen from 21% of disputes to 13%. Although they are new entries for January to June 2021, heated seats and climate control caused the smallest proportion of consumer complaints in this area at just 4%. **Part failures** and **quality** were once again at the heart of customers experiencing an issue within the cabin of the vehicle.

► Analysis of security-related complaints brought by consumers

Keys were once again the primary cause of security-related complaints, increasing to just over half in this area (52%) in H1 2020 compared to a little over a third (39%) during the same period a year earlier. Locks equally retained their place as the second largest source of disputes, but fell by a half year-on-year, down to 15% from 30%, a positive trend. Post-purchase disputes relating to alarms are also on the decline, but key fobs have stayed a cause for concern, rising from 9% to 11% as a source of customer disputes brought to The Motor Ombudsman.

► Tables 2d

► Analysis of vehicle accessories-related complaints brought by consumers

For the first six months of 2021, parking sensors accounted for just over half of complaints (55%) in the vehicle accessories category (down from 67% in H1 2020), with dashcams reported as the source of around a quarter of vehicle sales disputes in this area (27%). This was a slight rise versus H1 2020 (22%).

The main issues incurred by consumers in this category were associated with the **sales process** (62%), the **failure** of the parts (25%), and the components not being **fit for purpose** (13%).

Principal causes of vehicle interior issues by component as reported by consumers (%)	
H1 2020	H1 2021
Parking sensors (67%)	Parking sensors (55%)
Reversing sensors (22%)	Dashcams (27%)
Tow bar (11%)	Tow bar (18%)

SECTION 4. What were the main breaches of the Vehicle Sales Code during the first six months of 2021?

To ensure increased accuracy of how breaches of the Vehicle Sales Code, which covers the sale of both new and used cars, are recorded on consumer case files by The Motor Ombudsman, the breach of Code commitment 7.4 (see Table 3 below) was reclassified to include breach 7.0 in H1 2021, instead of breach 7.0 having previously been seen as a commitment breach in its own right (refer to Table 4). Therefore, it is not unsurprising to see that Code commitment 7.4 was the subject of the most breaches during the first half of 2021 (33%), taking over from commitment 7.0 in H1 2021 (29%).

The contravening of commitment 8.3 in relation to inadequate aftersales support has made a new entry in the first half of 2021, accounting for 14% of breaches, and where it is possible to make a like-for-like comparison, breaches are also up by 11 percentage points (i.e. 6% to 17%) for Code commitment 8.5, which is about a business ensuring that they fulfil their legal obligations in relation to the Consumer Rights Act 2015.

Issues surrounding potentially inaccurate advertising (7%), ineffective complaints handling (5%), and the vehicle retailer not making the customer aware of the aftersales support available (4%), also made up a small number of breaches attributed to Vehicle Sales Code cases during the first half of this year.

► **Table 3: The top six Code breaches applied by The Motor Ombudsman to disputes in Q1 2021**

Vehicle Sales Code commitment	Summary of breach	% of breaches applied to disputes in H1 2020
7.0	The accredited business did not ensure that the vehicle supplied to the consumer was of a high-quality standard	29%
7.4	The seller of the vehicle did not meet its legal obligations to the consumer, and the car was not fit for purpose, of satisfactory quality, and as described	22%
9.0	The accredited business did not handle complaints swiftly or follow the guidance detailed in the Complaints Handling section of the Service and Repair Code	8%
8.5	Following a problem with the consumer's vehicle post-purchase, the accredited business did not observe their legal obligations in line with the Consumer Rights Act 2015, by ensuring that the goods supplied were fit for purpose, of satisfactory quality and as described	6%
8.0	The accredited business did not provide the customer with aftersales support and assistance following the purchase of their vehicle	3%
5.0	Warranty products, which were not appropriate according to the needs of the consumer, were offered during the vehicle sales process to the customer	3%

SECTION 5. What was the average claim value of disputes submitted by consumers by Code of Practice in H1 2021 v H1 2020?

The average monetary value attributed to the resolution of the dispute by a consumer was highest for a complaint in relation to the Vehicle Sales Code out of the four Codes of Practice, standing at £7,387 in H1 2021. Although this figure has decreased year-on-year by nearly £800 from £8,183, the higher claim amount is not unexpected for remedies in relation to the sale of a car, as these would sometimes include a vehicle rejection or replacement as the preferred resolution by the customer, rather than merely a repair.

The average claim value per customer across all of the four Codes has also dropped very slightly in the first half of 2021 by 0.3% to £4,085 when compared to the same period last year (£4,096).

► **Table 4: The average claim value specified by a consumer in H1 2020 and H1 2021 by Code of Practice**

Code of Practice	H1 2020	H1 2021	Difference (H1 2021 v H1 2020)
	£8,183	£7,387	▼ £796 (-10%)
	£3,122	£3,192	▲ £70 (+2%)
	£2,901	£3,280	▲ £379 (+13%)
	£2,178	£2,482	▲ £304 (+14%)
Average claim value across all four Codes	£4,096	£4,085	▼ £11 (-0.3%)

SECTION 6. What resolutions were consumers looking for to conclude their vehicle sales disputes?

The remedies or resolutions sought by consumers as part of their vehicle sales dispute can vary in sum and scope according to the issue at play, as well as resulting from their personal experience of how their problem has been dealt with by a business.

H1 2021 analysis:

As seen in Fig.4 below, a full refund of costs was deemed to be the preferred outcome by just under a third (29%) of individuals who stated their ideal resolution on their case submission to The Motor Ombudsman in the first half of 2021. Just under a quarter (24%) saw a free-of-charge repair as a suitable remedy to an issue with their vehicle, with 16% wanting to reject their car in light of the problems incurred. Also featuring in the top five most requested resolutions was the supply of a replacement vehicle (7%) and a partial refund (6%). In fact, only 1% of consumers were looking for a non-monetary or non-material remedy, with an apology from a business seen as sufficient to bring their issue to a close.

► **Fig.4: The 10 most requested resolutions to disputes brought by consumers to The Motor Ombudsman during the first six months of 2021**



*Where a preferred resolution was specified by the consumer when submitting their case to The Motor Ombudsman. Figures in brackets denote proportion of customers requesting that particular resolution.

1. Where a **full refund** was specified by the consumer as their ideal remedy to bring their dispute to a close, this was because:

- They put a deposit down on a vehicle, but could no longer proceed with the purchase due to being unable to sell their existing car as a result of the introduction of local COVID-19 restrictions;
 - Faults were discovered with a vehicle post-purchase that the seller hadn't given them the opportunity to test drive; and
 - They were informed by the salesperson that the vehicle they bought had one previous owner, but the V5C logbook showed two when received by the consumer.
-

2. Examples of when a **free-of-charge repair** was deemed to be the most appropriate form of resolution to a dispute by the consumer were:

- The chrome trims surrounding the windows and doors becoming tarnished shortly after purchase, as well as a constant loss of signal on the in-car audio system;
 - An issue that was deemed by them to be a known fault by the vehicle manufacturer and was the subject of a previous recall according to their research (a mechatronic unit leaking hydraulic fluid oil in this case); and
 - A vehicle which was sold to them with a poor standard of cosmetic repair to hide underlying damage on the outer edge of a wheel rim.
-

3. Where the **rejection of a vehicle** was considered necessary by the customer, this was because of:

- A known fault with the audio system by the vehicle manufacturer occurring less than a week after the customer purchased a new vehicle, and then reappearing following a repair;
 - The inability to unlock their car using the key or keyless entry, in addition to wider software issues; and
 - Finding out post-purchase that the car had been stolen and recovered with extensive damage, and being offered three replacement vehicles that were of a lower specification than that which was the subject of the dispute.
-

4. The **supply of a replacement vehicle** was seen by the consumer as the optimum form of resolution to their dispute, due to:

- Their vehicle being taken into a garage on more than five separate occasions with the issue yet to be fixed;
 - The car being previously involved in an accident (Category N), which they were not aware of at the point of sale and felt pressured to buy after travelling a long distance to collect it; and
 - Poor range on their electric vehicle (EV) versus what they had been quoted when purchasing the car.
-

5. Where a **partial refund of the cost of the vehicle** was specified as the preferred outcome, the customer thought this was an appropriate resolution because:

- A car was sold to them with no record of any problems, and the consumer subsequently had to pay for the repair to the gearbox, and was without their vehicle for 12 days which they depended on for their job;
 - Their hybrid vehicle had a declining electric-only range compared to when the vehicle was purchased; and
 - They were sold a car with a full service history, but never received the hard copy in the post despite following up with the business on several occasions.
-

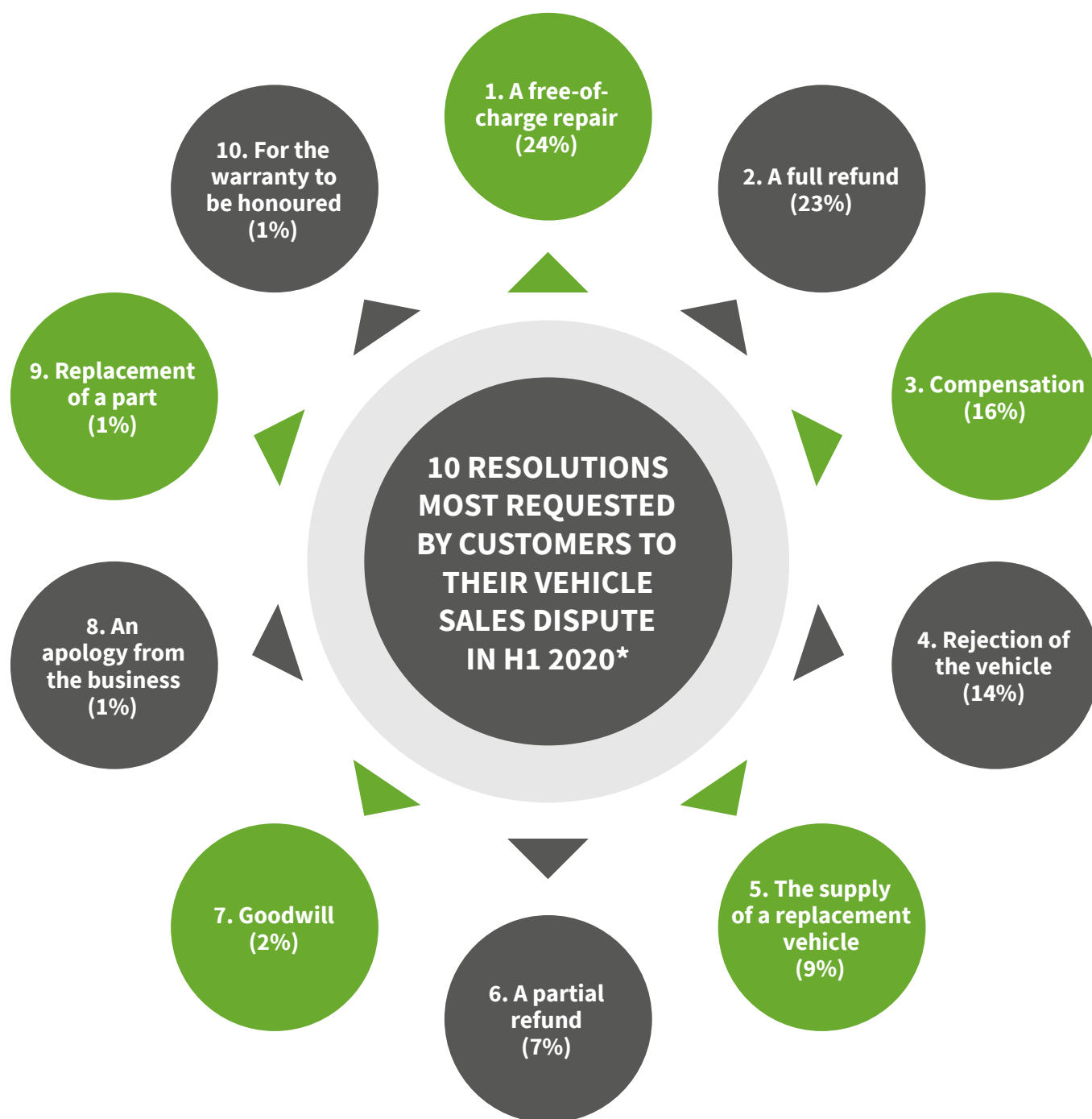
6. Where **compensation** was stated as the ideal resolution by the consumer, this was for:

- The fact that they had been sold a vehicle that was not fit for purpose and was unsafe to drive due to losing power when accelerating;
- The failure of the engine after seven months of ownership; and
- The vehicle that was ordered missing a technology pack, and to recognise the time spent by the consumer to resolve their dispute.

H1 2020 analysis:

A free-of-charge repair was the most claimed-for remedy to resolve a sales dispute between January and June 2020, as stated by just under a quarter (24%) of consumers. A full refund was the second most asked-for resolution by those who stated their preferred outcome at 23%, which was followed by compensation for a “loss” that had been suffered in the opinion of the customer (16%), and the rejection of a vehicle (14%). Rounding off the top five most popular forms of resolution to a complaint, was for a replacement car to be provided to the individual (9%).

► **Fig.5: The 10 most requested resolutions to disputes brought by consumers to The Motor Ombudsman during the first six months of 2020**



*Where a preferred resolution was specified by the consumer when submitting their case to The Motor Ombudsman. Figures in brackets denote proportion of customers requesting that particular resolution.

1. Examples of when a **free-of-charge repair** was deemed to be the most appropriate form of resolution to a dispute by the consumer, was in light of:

- Noise when applying the brakes - a persistent issue since purchase, and despite an initial repair being made by the business;
 - A hybrid and stop-start system operating inconsistently shortly after the car was bought; and
 - A recurring engine warning light and a handbrake consistently dropping.
-

2. Where a **full refund** was specified by the consumer as their ideal remedy to bring their dispute to a close, this was because:

- They had paid a deposit at the time of ordering without it being made clear that it was non-refundable, and were subsequently unable to proceed with the purchase due to self-isolation;
 - They had received poor customer service from the business, and eight things had gone wrong on a car that was less than two years old and had covered lower-than-average mileage; and
 - They only had use of their car for 10 days in the first four months of ownership due to ongoing issues with the vehicle.
-

3. Where **compensation** was stated as the ideal resolution by the consumer, this was because they:

- Received a vehicle with the incorrect specification versus what they had ordered (i.e. two-wheel-drive instead of four-wheel-drive);
 - Were getting a lower than advertised miles per gallon (mpg) figure, which cost them more money in fuel; and
 - Placed an order for a vehicle, but were subsequently informed that it had not been processed, and received no explanation from the business for this error.
-

4. Where the **rejection of a vehicle** was considered necessary by the customer, this was because of:

- Faults with a brand-new car's paintwork being identified at the point of delivery;
 - Engine issues and a loss of power two months after buying a brand-new vehicle; and
 - The footwell on a one-and-a-half-year-old car filling with water when it rained.
-

5. The **supply of a replacement vehicle** was seen by the consumer as the optimum form of resolution to their dispute, due to:

- Repairs on multiple occasions because of the same fault, which returned after being fixed;
 - A new car breaking down three times in the space of two weeks, six months after buying it, and with less than 3,000 miles on the clock; and
 - The customer being told that cruise control and a head-up display were part of the vehicle's standard specification at the point of ordering, but not being present on delivery. The head-up display could also not be retrofitted.
-

6. Where a **partial refund of the cost of the vehicle** was specified as the preferred outcome, the customer thought this was an appropriate resolution because:

- There was a persistent fault in the form of extreme tyre skipping and juddering during tight turns and manoeuvres;
- There were ongoing issues with the vehicle's gearbox, stop-start system and speakers; and
- The vehicle did not have the original engine which was stated on the paperwork supplied to the customer.

SECTION 7. Vehicle sales case studies: a look at the rationale behind some of the decisions reached in H1 2021

The previous sections of this paper have highlighted the principal reasons for consumers bringing their vehicle sales disputes to The Motor Ombudsman, and the resolutions that they were ultimately seeking.

The purpose of the following individual case studies relating to different consumer disputes is to provide a snapshot of the range of service and repair case outcomes which have been delivered during the first six months of 2021. This is to demonstrate the rationale and approach behind the impartial decisions reached by The Motor Ombudsman.

CASE STUDY 1 SYNOPSIS

Consumer A bought a used vehicle during the pandemic, so was unable to inspect it. However, after taking delivery, the customer found a number of faults with the vehicle.

► Case summary:

Consumer's claim	The vehicle was of unsatisfactory quality because the air conditioning failed, and both the front and rear bumpers had lacquer that was peeling off
Age of vehicle (years)	Seven
Type of vehicle	Hatchback
Preferred customer resolution	The vehicle to be fully repaired at no cost
Value of preferred resolution	£500
Adjudication outcome	Upheld in the dealership's favour

► What was the consumer's complaint?

Consumer A purchased a used seven-year-old vehicle with 66,000 miles on the clock from a dealership. Because of the pandemic, they were unable to inspect the car or test drive it, so it was only on their journey home that they realised the air conditioning didn't work. They also noticed when they got back to their house that the lacquer was starting to peel off from the front and rear bumpers.

Consumer A took their car to a local garage for the air conditioning to be re-gassed, but this did not solve the issue. They therefore contacted the dealership (the seller of the vehicle), and they booked the car in for an inspection. After some discussion, the business approved the repair of the air conditioning, but whilst the dealership initially agreed to look at the bumpers, they then decided the damage was fair, and wear and tear, and refused to carry out any further works. Unhappy with this outcome, Consumer A asked The Motor Ombudsman to investigate their concerns.

► What evidence did the consumer provide to support their claim?

To support her complaint, Ms A provided:

- Their enquiry form, containing details of their dispute;
- E-mail correspondence between them and the dealership; and
- Photographs of the lacquer peeling from the paintwork of their vehicle.

► How did the accredited business respond to the consumer's complaint?

The dealership explained that they had already repaired the air conditioning fault under the warranty provided at the point of sale, which had been caused by a defective unit evaporator. However, with the paintwork, they argued that, as the customer's vehicle was used, a certain amount of wear and tear was to be expected, particularly with the finish of the vehicle. The dealership said that the price paid by Consumer A for the car was reflective of its condition, and they therefore believed there was no liability for them to fix the bodywork.

► What approach did the adjudicator take to reviewing the evidence provided by both parties?

Neither Consumer A nor the dealership had provided much evidence to support their case, which meant the adjudicator did not have much documentary information on which to base their decision. The adjudicator therefore felt that if Consumer A wished to pursue their case further, additional technical evidence would be required in order to prove that their complaint was justified.

The adjudicator also sought to narrow down the issues presented in this dispute. As the air conditioning had already been repaired, there was no need for them to consider this any further. They therefore focussed purely on the lacquer peel impacting the front and rear bumpers.

► What outcome did the adjudicator reach and why?

The adjudicator recognised that Consumer A reported the problems with the vehicle only a few weeks after taking delivery. Following the approach of the Consumer Rights Act 2015, this meant that the adjudicator had to consider that the issues were likely present at the point of sale.

However, when taking into account the age and mileage of the car when Consumer A bought it, the adjudicator felt that the lacquer peeling was likely to be wear and tear. They explained that used cars do not need to meet the same standards of quality as a new car, and that it would be expected for a seven-year-old vehicle that had covered 66,000 miles, to have some issues. Additionally, the concern was cosmetic in nature, and did not affect Consumer A's use of the car. The adjudicator therefore decided that the dealership had acted reasonably in declining to repair the vehicle, and that there was nothing further they needed to do to rectify the situation.

► Did one or both parties agree with the outcome?

Whilst Consumer A was naturally disappointed, they, as well as the dealership, accepted the adjudicator's findings.

► Did the consumer receive their preferred resolution?

As the complaint was upheld in the dealership's favour, Consumer A did not receive an award.

► What are the key learnings that can be drawn from this case?

- **Management of expectations:** It is important for consumers purchasing used cars to understand that they will have some minor issues, such as problems with the paintwork or wear and tear-related mechanical defects. As such, businesses should look to be open and honest with their customers, so consumers appreciate that the vehicle will not be perfect at the point of purchase.
- **Communication, communication, communication:** The industry had to quickly adapt to the evolving sales landscape caused by COVID-19, and it was understandable at the point of Consumer A's purchase that an inspection and test drive was not offered. However, when these elements of the sales process are removed, timely and effective communication between a business and its customers becomes even more important, as do creative solutions. Here, for example, the dealership could have ensured that Consumer A was supplied with a walk-around video as a substitute for an in-person inspection.
- **The requirement for evidence:** Both parties provided little evidence in support of their cases. Whilst in this particular complaint the adjudicator was able to make a decision regardless, it is vital for adequate evidence to be provided in order for The Motor Ombudsman, or any other decision-making body, to reach a fair and reasonable outcome. For instance, if a business wished to rely on a call recording as proof they suitably advised a customer, they would need to provide a copy of the call. Without a call recording, it would be difficult for an adjudicator or ombudsman to place much weight on their argument.

CASE STUDY 2 SYNOPSIS

Consumer B purchased a brand-new car and, two years after purchase, they were informed that an incorrect tyre had been fitted. This caused Consumer B to have to replace all four tyres and have a wheel alignment carried out at their own expense.

► Case summary:

Consumer's claim	An incorrectly-sized tyre was fitted at the point of manufacture, causing the tyres to require replacement prematurely
Age of vehicle (years)	Two
Type of vehicle	Hatchback
Preferred customer resolution	Refund for the incorrect tyre and an apology
Value of preferred resolution	£265
Adjudication outcome	Accredited business agreed to Consumer B's preferred remedy

► What was the consumer's complaint?

Consumer B purchased their vehicle in September 2018. In September 2020, they found that their wheel alignment was off and one of the tyres was bald and required replacement. A friend informed them that the bald tyre was actually the incorrect size for the vehicle, so Consumer B took their car to a garage for inspection. During this visit, the garage verbally agreed that the tyre was wrong and that they would cover the cost of its replacement and the wheel alignment.

However, when Consumer B received their quotation for the repair, they were informed it would be £1,200 for the replacement of all four tyres and £300 for the wheel alignment, meaning the business had not kept to their agreement. Consumer B complained, as they were unhappy that not only were they having to pay to have the tyres replaced and the tracking carried out, they also felt they had received poor customer service. When they were unable to resolve things directly with the garage, they referred their complaint to The Motor Ombudsman.

► How did the accredited business respond to the consumer's complaint?

The garage said that they would be happy to refund Consumer B for the incorrect tyre, which was £265, and that they would issue a written apology to the customer in light of their experience.

► Did the consumer agree with the proposed resolution?

Consumer B was happy with the proposed resolution, as they received what they had asked for, and they accepted the resolution, thereby closing the case.

► What are the key learnings that can be drawn from this case?

- Keep things in writing:** Because much of what happened was verbal and face-to-face, had either Consumer B or the garage been required to prove their side of the story, they would have found this very difficult. As such, it is recommended to follow up any conversations with an e-mail confirming what was discussed, particularly where there is a complaint. This means that there is written evidence that can be relied upon later down the line.
- Customer service is key:** Consumer B did not just want the value of the repair – an apology was equally important to them in recognition of how they were dealt with. Had Consumer B felt that they were treated well, and that the garage was trying to work with them to resolve their problem, it may not have avoided the dispute over the repair cost, but it would have most likely led to the relationship remaining amicable.

CASE STUDY 3 SYNOPSIS

The consumer was not informed that his new vehicle purchase fell into the “luxury car” tax bracket for vehicles with a list price of over £40,000.

► Case summary:

Consumer’s claim	The dealership had failed to inform Consumer C that their vehicle had a list price over £40,000, leading to an increased tax burden over the period of their ownership
Age of vehicle (years)	New
Type of vehicle	Saloon
Preferred customer resolution	Dealership to cover the additional tax costs
Value of preferred resolution	£650
Adjudication outcome	Upheld in Consumer C’s favour
Ombudsman’s final decision	Upheld in Consumer C’s favour

► What was the consumer’s complaint?

Consumer C purchased a brand-new saloon from a dealership in January 2020. The vehicle invoice and sales documents showed a price of £35,519.09, meaning it should have been exempt from the “luxury car” tax, which applies to vehicles with a list price over £40,000. However, when Consumer C went to tax the vehicle in January 2021, they found that they had to pay an additional £325, which they had not been expecting. Consumer C argued that if the business had made them aware of this at the point of sale, they may have chosen different optional extras so they could avoid this additional expense. Consumer C asked the dealership to cover the tax costs, but they refused, so the complaint was referred to The Motor Ombudsman.

► What evidence did the consumer provide to support their claim?

To support their complaint, Consumer C supplied:

- The vehicle invoice showing a price of £35,519.09;
- Finance documentation showing a price of £35,519.09;
- Other information from the point of sale confirming the price as under £40,000; and
- Proof from the Driver Vehicle Licensing Agency (DVLA) of the actual tax costs.

► How did the accredited business respond to the consumer’s complaint?

The dealership said that Consumer C never informed them that the list price was a concern, and that several options were added to the vehicle that took it over the £40,000 threshold. However, because the dealership applied a £7,000 discount to the purchase, the actual amount paid was under the threshold. Dealership 3 argued that Consumer C would have received the V5C, the document sent to the registered keeper of a vehicle after a sale, and this would have confirmed that the car was subject to the higher rate of tax. However, because it took Consumer C a year to raise their concerns with them, they argued this was evidence that Consumer C was not unhappy with the tax rate, and therefore, there was no cause for complaint.

► What approach did the adjudicator and ombudsman take to reviewing the evidence provided by both parties?

The first step was to review the sales documentation provided by Consumer C – to understand whether the vehicle should have fallen over the £40,000 threshold. Having done so, it was clear that it did, as whilst the base price of the vehicle was under this amount, Consumer C had chosen several options. This meant before any discounts were applied, the car would have cost more than £40,000.

Had Consumer C not received a discount, there would most likely have been no issue. However, because the actual price paid by Consumer C was considerably below the £40,000 limit, it was understandable as to how they became confused and that they had been under a reasonable belief that the additional tax would not apply.

► What outcome did the adjudicator and ombudsman reach and why?

Having gone through the whole file, it was clear that, whilst the dealership had not deliberately tried to mislead Consumer C, they had failed to provide information that would have been material to Consumer C's decision to purchase the vehicle. The documentation supplied as part of the sales process at no point informed Consumer C that the list price of the vehicle fell over £40,000 and, as a result, Consumer C could not have reasonably known this.

Both the adjudicator and ombudsman also found that Consumer C was unlikely to have raised this as an issue with the seller at the time of sale because they would have relied on the information provided. Similarly, this also explained why Consumer C did not check the V5 when they received it, as there would have been no reason to do so. It was understandable that Consumer C was only alerted to the additional tax burden when they had to tax the car again.

► Did one or both parties agree with the outcome?

Initially, the dealership disagreed with the adjudication outcome and asked for the ombudsman to consider the case. However, once a final decision was reached and Consumer C accepted it, the business paid the agreed award to bring the complaint to a close.

► Did the consumer receive their preferred resolution?

Consumer C received their preferred resolution of £650 to cover the additional tax costs on the vehicle.

► What are the key learnings that can be drawn from this case?

- **Clear documentation:** On reading the documents thoroughly, it could be seen that the list price of the vehicle which, for the purposes of road tax, includes the value of any optional extras added to the vehicle, did fall over the £40,000 threshold. However, the documents did not make this clear to Consumer C, and it was easy to see why they believed the car would not be subject to the "luxury car" tax and, as a result, did not question this further.
- **Dealerships and garages are the experts:** Whilst it is important for consumers to be aware of what they are buying and to read the documents provided to them during the sales process, they are entitled to rely on the expertise of dealerships and garages on issues such as the vehicle specification and the applicable tax. As such, it is important that businesses take the appropriate steps to adequately inform and advise consumers throughout the purchasing experience.
- **Be open to resolution:** Consumer C had been reasonable in what they requested to resolve their complaint. Had the dealership been more open to finding a settlement, they may have been able to either agree with Consumer C's proposal, or negotiate to find another outcome, rather than Consumer C having to bring their complaint to The Motor Ombudsman to reach a conclusion.

SECTION 8. What is the outlook for the vehicle sales sector for the remainder of 2021?

► The Motor Ombudsman is expecting a rise in vehicle sales contacts and cases versus that seen in 2021?

By the end of 2021, The Motor Ombudsman is expecting a total of 26,200 customer contacts and 2,996 cases to be received, which is a 21% and 8% rise versus the volumes seen in 2020. This is largely due to the continued “unlocking” and decrease in COVID-19 restrictions, and the surge in vehicle sales over H1 of 2021, with 2020 seeing a comparatively lower than usual volume of contacts as a result of the pandemic and its impact on the sector.

► Obstacles remain for businesses despite the country finding a new sense of normality

With the economy opening up further, and the lifting of the majority of COVID-19 restrictions on the later-than-scheduled “Freedom Day”, the remaining months of the year are still set to bring several hurdles, according to the findings of The Motor Ombudsman’s snapshot survey of accredited vehicle retailers in July 2021. These will now be discussed in turn.

► Vehicle stock shortages show no sign of abating in the second half of 2021

Acquiring sufficient new and used vehicle stock to meet customer demand appears to be a trend which will continue during the third and fourth quarters of this year according to the “on the ground” view of some Motor Ombudsman-accredited businesses, which expressed the following:

“Stock shortages will continue to be the main issue for the rest of the year.”

“We will have a very hard time going forward due to very little stock.”

“The challenge is the increase in the price of used vehicles and the supply and demand issues facing used vehicles.”

The knock-on effect of retailers buying cars at an inflated wholesale cost to fill their forecourts raises another concern in that, if supply did return to “normal” levels, thereby driving prices back down to where they were prior to the onset of the shortage, sellers could potentially be left out of pocket, as a business explained:

“We are currently having to purchase at high prices and feel it could go back to the previous pricing. This means we're left with lots of overpriced stock.”

Unsurprisingly, with a lack of inventory, and the mood dampened, around half of the retail businesses polled are expecting new and used car sales in 2022 to mirror those seen during 2021 (49% and 54% respectively). Around 40% are estimating them to be higher, so there is a glimmer of hope in terms of possible improvements in the sales landscape during the next calendar year.

► Online car sales have made their way up the agenda

The rise of online car buying has grabbed the headlines since the start of the pandemic, and “click and collect” has certainly provided an essential lifeline for the sector, made possible by manufacturers and their networks successfully investing in digital systems. To not be left behind, as online car buying gathers momentum in the UK, this presents the added challenge of retailers potentially operating a “hybrid” model of virtual and in-person sales if they have not already embraced selling cars via the internet.

As a Motor Ombudsman-commissioned YouGov study revealed in February 2021¹⁵, there is still a place for both physical and online transactions, according to the drivers surveyed, with around six in ten respondents (62%) saying they would opt to visit a showroom in person, rather than turn to the internet for a completely virtual experience if they were to purchase a vehicle this year.

It is interesting to note that, from the vehicle sales businesses polled by The Motor Ombudsman in July 2021, 81% of have seen an increase in online sales in the first six months of this year, with around 40% saying that between 10 to 25% of the total car sales now come through online channels. Furthermore, the same proportion of businesses expects the former percentage to stay true in 2022.

¹⁵ Source: The Motor Ombudsman - <https://www.themotorombudsman.org/useful-information/automotive-views/tmo-poll-reveals-car-buying-at-showrooms-remains-in-the-driving-seat>

► General uncertainty to continue to take its toll on retailers

According to the views expressed by businesses in The Motor Ombudsman's snapshot survey, several factors remain that may cause a sense of uncertainty for car sales businesses in the coming months. These predominantly relate to:

- The future direction of used car values;
- A possible increase in interest rates by the Bank of England, raising the cost of borrowing;
- The introduction of another lockdown if COVID-19 cases rise beyond the government's "accepted" threshold; and
- Compliance with any ongoing restrictions in relation to helping curb the spread of the Coronavirus.

► There is, however, light at the end of the tunnel, and the second half of 2021 is also set to bring some positives to the vehicle sales sector

A similar picture can be painted to the first half of the year in terms of what can be expected for the positive aspects of the remaining six months of 2021. The introduction of new models, increased confidence in the positive trajectory of the economy, and higher consumer spending, are set to be key ingredients behind retailer profitability according to the snapshot poll, with stock shortages also delivering higher margins, especially in the used car market.

The upside of higher sales volumes is more aftersales work for dealerships, with "*workshop hours sold getting back to normal*", as one accredited business explained. Coupled with thousands of MOTs being deferred in 2020 due to the introduction of the exemption, this should also result in a greater level of throughput in this area of the business.

SECTION 9. Conclusion

Although the vehicle sales sector is on the road to recovery, and there are glimmers of hope in the distance, a few, but significant, obstacles remain. July's long-awaited Freedom Day brought a welcomed lifting of restrictions to further open up the economy, but the general consensus from accredited businesses, and what is being publicised in the media, is that vehicle stock shortages and the semiconductor crisis is not going to subside any time soon. Coupled with the proliferation of the "pingdemic", which calls for individuals to self-isolate and remain absent from work, is another worry to add to the list.

With that being said, consumer demand for vehicles remains buoyant, as are profitability levels, which will provide the chance for businesses to recoup losses incurred during lockdown periods, and enjoy a period of uninterrupted trading – an important boost for staff morale, as long as the virus does not cause another major negative turn. The second half of the year will equally bring the next plate change, another important date in the motoring calendar, which will hopefully provide a much-needed boost for the sector, before retailers turn their attention towards the arrival of 2022.

Publication date: September 2021

