



The impact of the cost of living crisis on disputes in the automotive sector

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TheMotorOmbudsman.org

The Motor Ombudsman is the independent and impartial Ombudsman dedicated solely to the automotive sector, and self-regulates the UK's motor industry through its comprehensive Chartered Trading Standards Institute (CTSI)-approved Codes of Practice. Thousands of businesses, including vehicle manufacturers, warranty product providers, franchised dealers and independent garages, are accredited to one or more of the Codes, which drive even higher standards of work and service, and give consumers added protection, peace of mind and trust during the vehicle purchase and ownership experience.

SECTION 1. Foreword

The following paper looks at the impact of the cost of living crisis on the automotive consumer complaints landscape, and the key trends that The Motor Ombudsman has identified in this area as a result of a more challenging environment for motorists.

In order to provide comparative full-year data for the purposes of comment and analysis, the paper focuses on the 2021 and 2022 calendar years.

Subjects explored in the following paper, include:

- ▶ The key factors that contributed to the emergence of the cost of living crisis, and how motorists, as consumers, have been impacted by greater financial pressures;
- ▶ A profile of complaints and complainants in the automotive sector;
- ▶ An insight into consumer complaints in the face of the cost of living crisis, including the impact on potentially vulnerable individuals; and
- ▶ The key conclusions that may be drawn from this paper.



SECTION 2. The emergence of the cost of living crisis





The ‘cost of living crisis’ refers to the fall in ‘real’ disposable incomes that UK consumers have experienced since late 2021¹. The cost of living crisis followed several challenging years for consumers and businesses, brought about by the COVID-19 pandemic. This saw the production of goods fall worldwide, significant restrictions on economies and the movement of people, and supply chains and logistics that were heavily disrupted and out of kilter, including in the automotive sector.

2022 was therefore heralded as a year that would be free of restrictions, and a return to a period of greater economic stability and ‘business as usual’. However, what emerged in contrast, due to an amalgamation of economic and geopolitical factors, was what some described as the ‘worst cost of living crisis for a generation’, and the biggest squeeze on household incomes since 1992².

The marked rise in the cost of living for consumers placed a significant strain on household finances, dominated news headlines throughout 2022 – and was compounded by the invasion of Ukraine, and the much talked-about ‘mini-budget’.

With the rise in the cost of living spearheaded by the 54% increase in the energy price cap in April 2022, overall and food inflation then soared to double digits, and interest rates increased to their highest level since the 2008 financial crisis, putting increased pressure on those looking to get on to the housing ladder, or for those coming off historically low fixed mortgage deals.

There was however, some relief for cash-strapped households towards the tail end of the year, as the government stepped in, in October, to put in place a guaranteed energy price cap of £2,500 to protect consumers against the scheduled rise of the cap to £4,279 at the start of 2023³, and also introduced a six-month energy bills support scheme to help everyone with the rising cost of energy.

In fact, by this point in the year, the Financial Conduct Authority (FCA) estimated that nearly six in ten adults were struggling to keep up with their bills – the equivalent of 7.8 million people. This represented an increase of around 2.5 million people since 2020, when around 5.3 million individuals were finding it difficult to stay on top of their expenses⁴.

► 2022 ended with little cheer for consumers

The year however, ended with little good news for consumers, as interest rates reached 3.5% and inflation hit 10.5%. In 2022, food prices had risen by 16.9%, sparked by supply chain issues encountered during the pandemic, whilst also being exacerbated by factors, such as the war in Ukraine, export disruptions, and the knock-on effect of the UK leaving the EU⁵.

The stark reality of the impact of the cost of living crisis in 2022 was also echoed by figures released by Citizens Advice in January 2023, which showed that 48% more people were in need of crisis support during 2022 versus the level seen in 2021, as the rising cost of living pushed more people than ever before to breaking point⁶. Furthermore, Citizens Advice also found that some groups had been hit particularly hard by the more challenging environment, as more than half of people the charity helped with crisis support in 2022 were disabled or were living with a long-term health condition.

¹ <https://www.instituteforgovernment.org.uk/explainer/cost-living-crisis>

² <https://www.channel4.com/news/warning-uk-faces-worst-cost-of-living-crisis-in-generation>

³ [https://www.gov.uk/government/publications/energy-bills-support/energy-bills-support-factsheet-8-september-2022#:~:text=The%20Energy%20Price%20Guarantee%20will%20continue%20to%20protect%20households%20and,%C2%A32%2C500%20\(annual%20equivalent\)](https://www.gov.uk/government/publications/energy-bills-support/energy-bills-support-factsheet-8-september-2022#:~:text=The%20Energy%20Price%20Guarantee%20will%20continue%20to%20protect%20households%20and,%C2%A32%2C500%20(annual%20equivalent))

⁴ <https://news.sky.com/story/cost-of-living-six-in-ten-adults-struggling-to-keep-up-with-their-bills-12725974>

⁵ <https://foodfoundation.org.uk/news/food-prices-tracker-january-2023>

⁶ <https://www.citizensadvice.org.uk/about-us/about-us1/media/press-releases/more-than-150000-people-needed-help-with-crisis-support-for-the-first-time-in-2022-says-citizens-advice>

The impact of the cost of living crisis on motorists

40%

of motorists said they would be unable to afford their next MOT

46%

of 18 to 34-year-olds said they had been forced to ask for money from friends and family to keep their car on the road

56%

of car owners said they were planning to miss or delay their vehicle's service

60%

of independent garages and franchise dealers said that consumers missing maintenance and repairs was the second biggest challenge after rising costs

68%

of consumers said they were looking to make cutbacks to make the cost of motoring more affordable

Motorists are a group of consumers – they have bought a product i.e. a car, and are incurring expense to maintain and run it. In fact, there have been long-term increases in the proportion of UK households owning a car since 1971. To put this into perspective, according to the Office of National Statistics, in 2021, there were an estimated 28.1 million households, an increase of 6.3% over the last 10 years⁷. Although car ownership fell in 2021 for the first time in a century⁸, the proportion of households with one car was 45% in 2021, with 33% of households having two or more cars compared to 8% in 1971⁹. These figures thereby illustrate the potential number of motorists affected by the cost of living crisis when looking at this group of consumers in isolation for the purposes of this paper.

► Consumers cut back on car maintenance

The strain on the finances of the nation's vehicle owners was evident from the start of 2022, and was a clear reminder of the impact of the cost of living crisis. A survey conducted by The Motor Ombudsman in March 2022 revealed that 56% of vehicle owners who had not taken out a service plan for their car, were either planning to miss or delay their vehicle's service in 2022, with 68% of study participants explaining that they were looking to make cutbacks to allow the cost of motoring to be more affordable¹⁰. In a bid to make further savings, a separate study by IAM Roadsmart also revealed that 40% of drivers would consider buying part-worn tyres rather than new ones¹¹.

A subsequent survey of independent garages and franchise dealerships conducted a few months later in November 2022 by The Motor Ombudsman saw the realisation of this "intention" of motorists to cut back, with nearly two-thirds of respondents (60%) explaining that consumers missing routine maintenance and essential repairs was the second biggest operational challenge for their business during the year after mounting costs, as it reduced footfall and the flow of revenue into their business¹². This was reflected in a separate study published during the same month by Halfords in partnership with the Family Action charity, which showed that four in ten motorists would be unable to afford their next MOT¹³, where the average cost is around £35¹⁴.

⁷<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2021>

⁸<https://www.am-online.com/news/market-insight/2022/05/31/number-of-cars-on-uk-roads-registers-first-consecutive-decline-in-a-century>

⁹<https://www.gov.uk/government/statistics/national-travel-survey-2021/national-travel-survey-2021-household-car-availability-and-trends-in-car-trips>

¹⁰<https://www.themotorombudsman.org/press-releases/tmo-urges-motorists-to-keep-vehicle-servicing-front-of-mind-in-the-face-of-cost-of-living-hike>

¹¹<https://www.iamroadsmart.com/media-policy/media-enquiries/news-details/2022/03/23/cost-of-living-crisis-could-lead-to-rise-in-use-of-death-trap-tyres>

¹²<https://www.themotorombudsman.org/wp-content/uploads/sites/9/2023/01/Motor-Ombudsman-Independent-Garage-and-Franchise-Dealer-Workshop-Report-2022-Review-and-2023-Outlook-Jan-23.pdf>

¹³<https://garagewire.co.uk/news/mot-news/next-mot-unaffordable-for-40-of-motorists-research-finds>

¹⁴<https://www.nimblefins.co.uk/average-cost-mot>

► Younger car owners have been hit hard

The challenges associated with car ownership at a time of mounting household bills was equally echoed in a piece of research carried out by Choose my Car, which revealed a particular struggle amongst the younger demographic. Their study found that 55% of 18 to 34-year-olds had cut back on their grocery shopping to cover rising fuel bills, whilst 46% had been forced to ask friends or family for money to help cover the cost of keeping their car moving¹⁵.

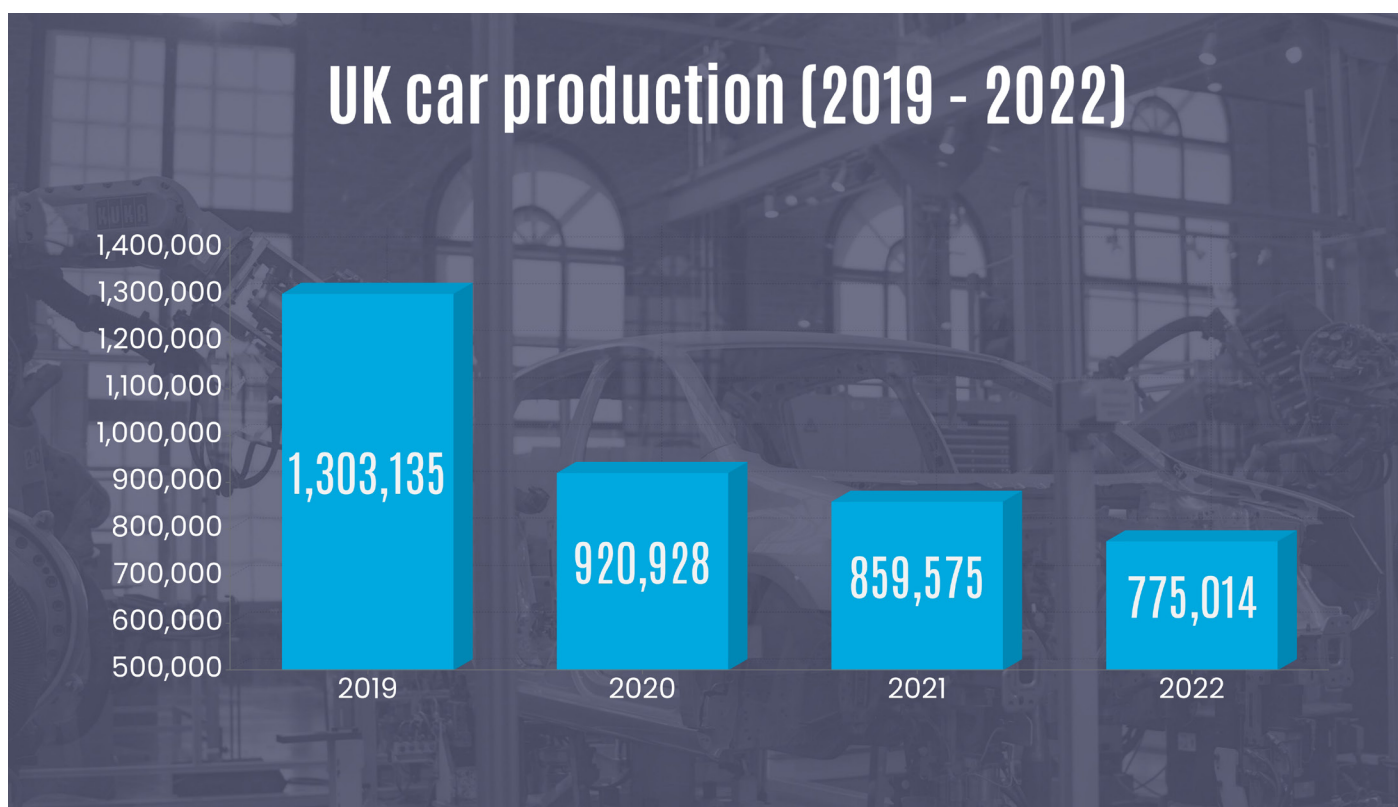
► Prices at the pumps neared £2-a-litre

With petrol and diesel prices hitting nearly £2-a-litre in the first half of the year, due to factors including high oil prices as a result of Russia's invasion of Ukraine, combined with low refining-capacity across Europe, figures released in June 2022 by the Office for National Statistics (ONS) showed that 40% of consumers cut back on non-essential journeys in order to reduce their outgoings¹⁶, laying bear the difficulties of running a car – a vital form of transport and independence for many.

► Supply chain issues hampered new car production, and used prices increased

For those looking to buy an “affordable” car in 2022 at a time of increased financial pressures, motorists were unlikely to find any respite in this area of the automotive sector. Global supply chain issues, which became prominent during the pandemic, continued to cause prolonged delays for the delivery of some new models, with UK car production alone down in 2022 by 40.5% to around 775,000 units¹⁷ versus that recorded in 2019 prior to the pandemic (circa 1.3 million units¹⁸). This lack of supply piled pressure on the used car market, and caused reduced stock on dealer forecourts, as consumers turned to a second hand model to stay on the move.

▼ The 40.5% fall in UK car production (units) between 2019 (pre-pandemic) and 2022



(Source: Society of Motor Manufacturers and Traders - SMMT)

¹⁵ Source: Choose my Car survey (May 2022) - <https://www.nationalworld.com/lifestyle/cars/half-of-young-drivers-cut-back-on-food-shopping-to-cover-soaring-fuel-costs-3695829>

¹⁷ <https://www.motortrader.com/motor-trader-news/automotive-news/consumers-cut-motoring-costs-inflation-hits-40-year-high-22-06-2022>

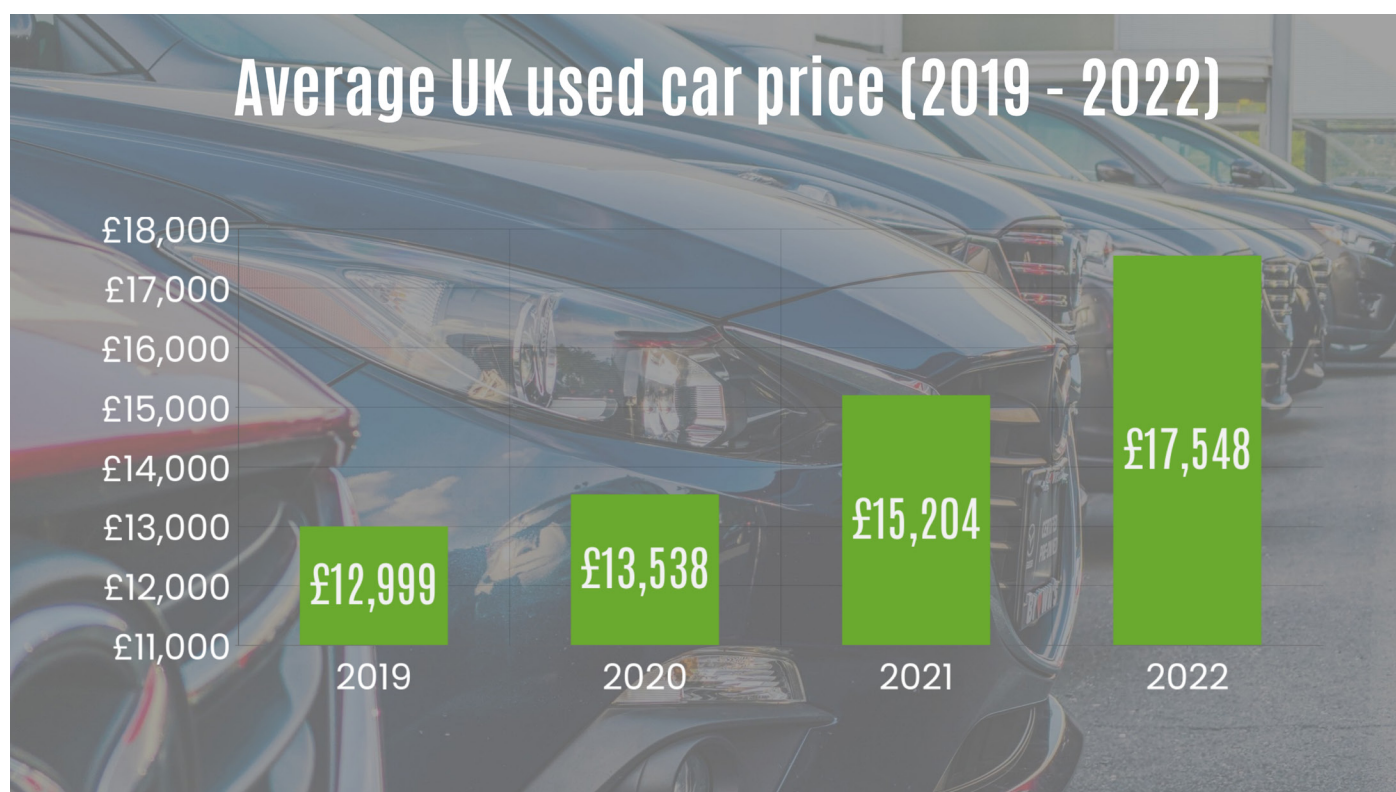
¹⁸ <https://news.sky.com/story/uk-car-production-slumps-to-66-year-low-but-acceleration-expected-ahead-12795661>

¹⁹ <https://www.statista.com/statistics/298923/total-number-of-cars-produced-in-the-united-kingdom>

This was compounded by the fact that consumers are now holding on to their cars for longer, lessening the flow of part-exchanged models into retailers. In fact, the age of the average car on UK roads in 2021 was 8.7 years, up a year in a decade, with just under a quarter of those on the road, around 8.4m cars, more than 13 years old, having been in service since 2008¹⁹.

The knock-on effect of the coming together of these aforementioned factors was that used car prices increased significantly during the year (refer to the graph below), with Auto Trader reporting in January 2023 that the average retail price of a used car in 2022 was a record £17,548, up on the figures of £15,204 seen in 2021 (+15%), £13,538 in 2020 (+30%), and £12,999 in 2019 (+35%)²⁰.

▼ The 35% rise in the average UK price of used cars since 2019



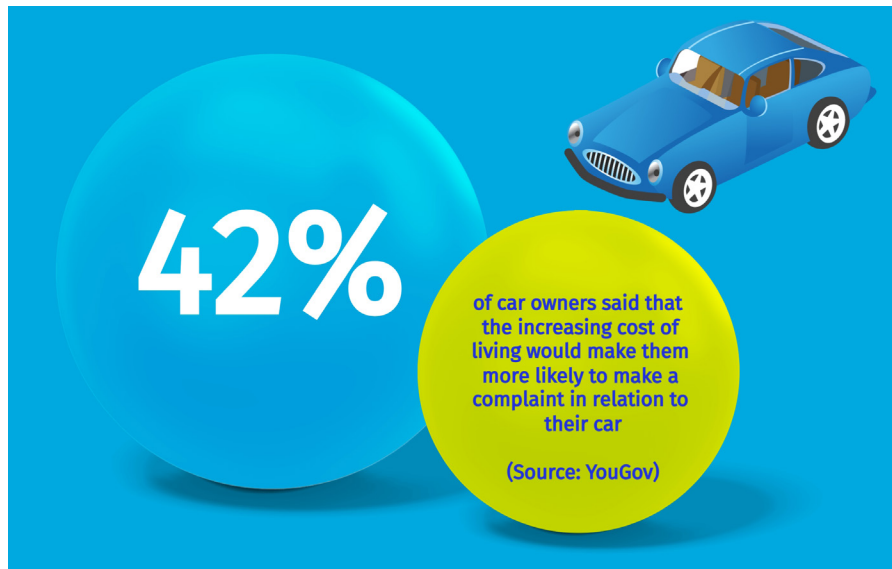
(Source: Auto Trader)

¹⁹ <https://www.am-online.com/news/market-insight/2022/05/31/number-of-cars-on-uk-roads-registers-first-consecutive-decline-in-a-century>

²⁰ <https://www.am-online.com/news/used-cars/2023/01/06/used-car-prices-rose-for-33rd-consecutive-month-in-december>

SECTION 3. A profile of complaints and complainants in the automotive sector

With a car often being the second biggest purchase a consumer can make after buying a house in terms of monetary value, both the financial and emotional stakes can be high if an issue arises. Therefore, a lot can often rest on being able to resolve a complaint to a consumer's satisfaction.



3.1 How likely is it that consumers will complain about an issue with their car?

A YouGov study of 1,557 UK car owners commissioned by The Motor Ombudsman in March 2023 showed that the majority (91%) would be likely to make a complaint to a business should something go wrong with their car, with the majority (55%) saying they'd be comfortable in taking such action.

However, at a time when household incomes are increasingly stretched, and there is desire to reduce the burden of an issue as far as possible, particularly from a financial point of view, the likelihood of making a complaint becomes even greater for some. The same research conducted by The Motor Ombudsman showed that

around four in ten (42%) car owners said that the increasing cost of living would make them more likely to express their dissatisfaction if a problem with their vehicle occurred, a figure which rises to as much as 60% amongst 25 to 34-year-olds.

3.2 What are the key factors driving car owners to complain?

In general terms, the end goal of a consumer making a complaint is to have an issue rectified according to what they deem to be acceptable. Problems can result from a faulty product i.e. a car in this instance, or the level of service received, for example at the point of purchase or during the ownership experience. Ultimately, a complaint is driven by the fact that a consumer's expectations were not met by a business, and in some cases, mistakes, even though unintentional, may have been made.

When car owners likely to make a complaint in relation to their car were asked why in the same study, the primary reasons expressed, were as follows:

- ▶ "A car is an expensive purchase, and therefore it's important to be happy with it, and the service or work received from a business" (65% of those surveyed);
- ▶ "I would want the business to put things right" (59%); and
- ▶ "I would not want to be left out of pocket or pay for something that I wasn't happy with" (58%).



All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,103 adults (1,557 car owners). Fieldwork was undertaken between 1st - 2nd March 2023. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

3.3 Why might not all consumers raise a complaint about their vehicle?

It is also important to recognise that not all consumers are comfortable in making a complaint or may not be aware of the effective approaches to get their issue resolved. In the recent YouGov study commissioned by The Motor Ombudsman, 36% of respondents explained they would raise a dispute with a business, but would feel uncomfortable in doing so – a figure which rises to 41% for females (versus 30% for males).

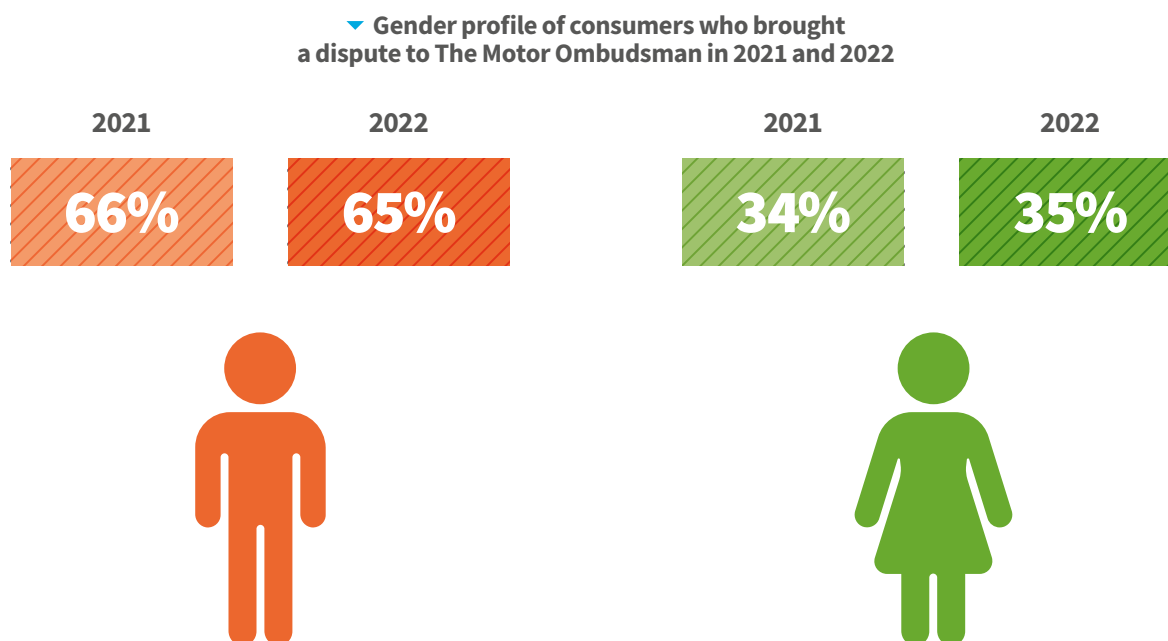
However, 5% of survey participants overall explained that it would be unlikely they would make any form of complaint at all, for the following key reasons:

- ▶ "I don't like confrontation or arguing" (40% of the respondents who would not raise a complaint);
- ▶ "I wouldn't know what to do in the situation" (30%);
- ▶ "I would feel intimidated in this situation" (28%); and
- ▶ "I prefer to stay away from negative situations, as it affects my mental health" (18%).

3.4 An overview of disputes brought to The Motor Ombudsman

Every year, The Motor Ombudsman receives more than 100,000 contacts from consumers and businesses into its Alternative Dispute Resolution (ADR) service, and accepts around 6,000 new cases for adjudication on an annual basis.

When looking at the gender profile of individuals who bring disputes to The Motor Ombudsman each year, the majority are male at around two-thirds of consumers (see the graphic below). This reflects the findings of the recent research undertaken by The Motor Ombudsman in March 2023, which revealed that male car owners are slightly more likely to make a complaint (92%) than their female counterparts (89%).

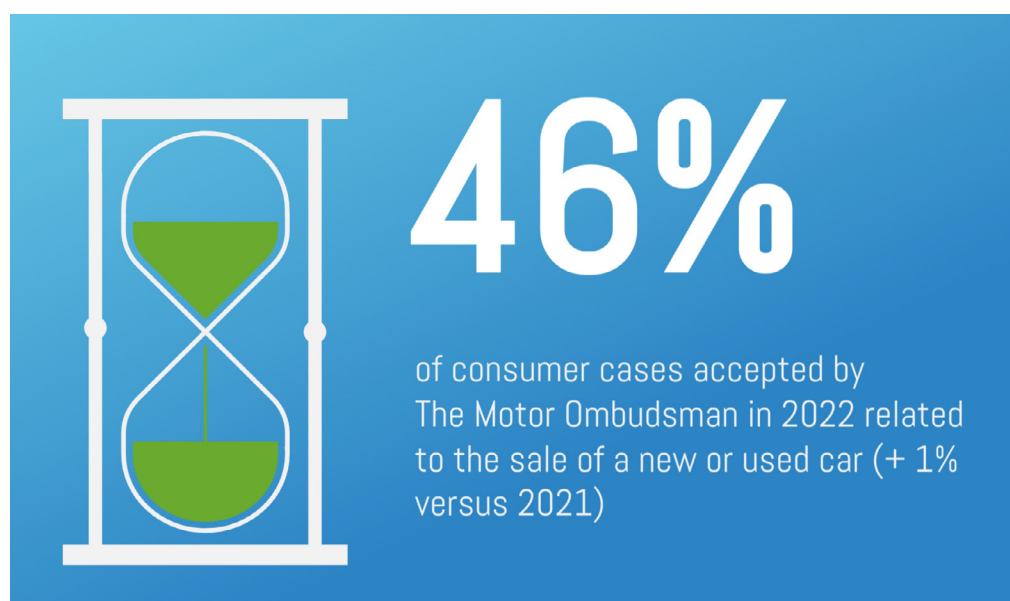


▼ Age profile of consumers who brought a dispute to The Motor Ombudsman in 2021 and 2022

Age group	Percentage of age group who brought disputes to The Motor Ombudsman in 2021 and 2022		
	2020	2021	% change 2022 v 2021
17 to 25	7.46%	7.23%	- 0.25%
26 to 34	19.48%	20.44%	+ 0.96%
35 to 44	26.33%	27.30%	+ 0.97%
45 to 54	22.77%	21.52%	- 1.25%
55 to 64	14.88%	14.69%	- 0.19%
65 to 74	7.10%	6.75%	- 0.35%
75 to 84	1.70%	1.93%	+ 0.23%
85+	0.25%	0.13%	- 0.12%

In terms of the age profile of consumers who reach out to The Motor Ombudsman for assistance each year, nearly 50% of individuals tend to be within the 35 to 54 age bracket, meaning they would be more likely to bring a dispute for resolution than those aged in their mid-20s to early 30s, or those who are in the early stages of their driving career (17+), for instance.

► Cases accepted by The Motor Ombudsman



Nearly half of cases accepted for adjudication on an annual basis by The Motor Ombudsman fall under the remit of the Vehicle Sales Code, as shown in Table 1 below. This is followed by complaints in relation to a service or repair (nearly 30%), disputes in relation to a new car warranty (around 20%), and those pertaining to an extended warranty (about 5%).

▼ **Table 1. Cases accepted by The Motor Ombudsman for adjudication in 2021 and 2022**

Code of Practice	2021 Cases accepted for adjudication	2022 Cases accepted for adjudication	% of overall cases accepted in 2021	% of overall cases accepted in 2022
Vehicle Sales	2,652	2,958	45%	46%
Service and Repair	1,693	1,821	29%	29%
New Car	1,164	1,226	20%	19%
Vehicle Warranty Products	321	388	6%	6%
TOTAL	5,830	6,393		

Of the vehicle sales disputes that are received by The Motor Ombudsman, the overriding majority are in relation to used/pre-owned cars, with most being five to six years of age. Used car complaints became slightly more prominent in 2022 (79% of vehicle sales disputes received by The Motor Ombudsman versus 77% in 2021), which reflected consumers increasingly switching away from new cars in light of the reported production issues and delivery delays plaguing many carmakers last year (as seen in Section 2).

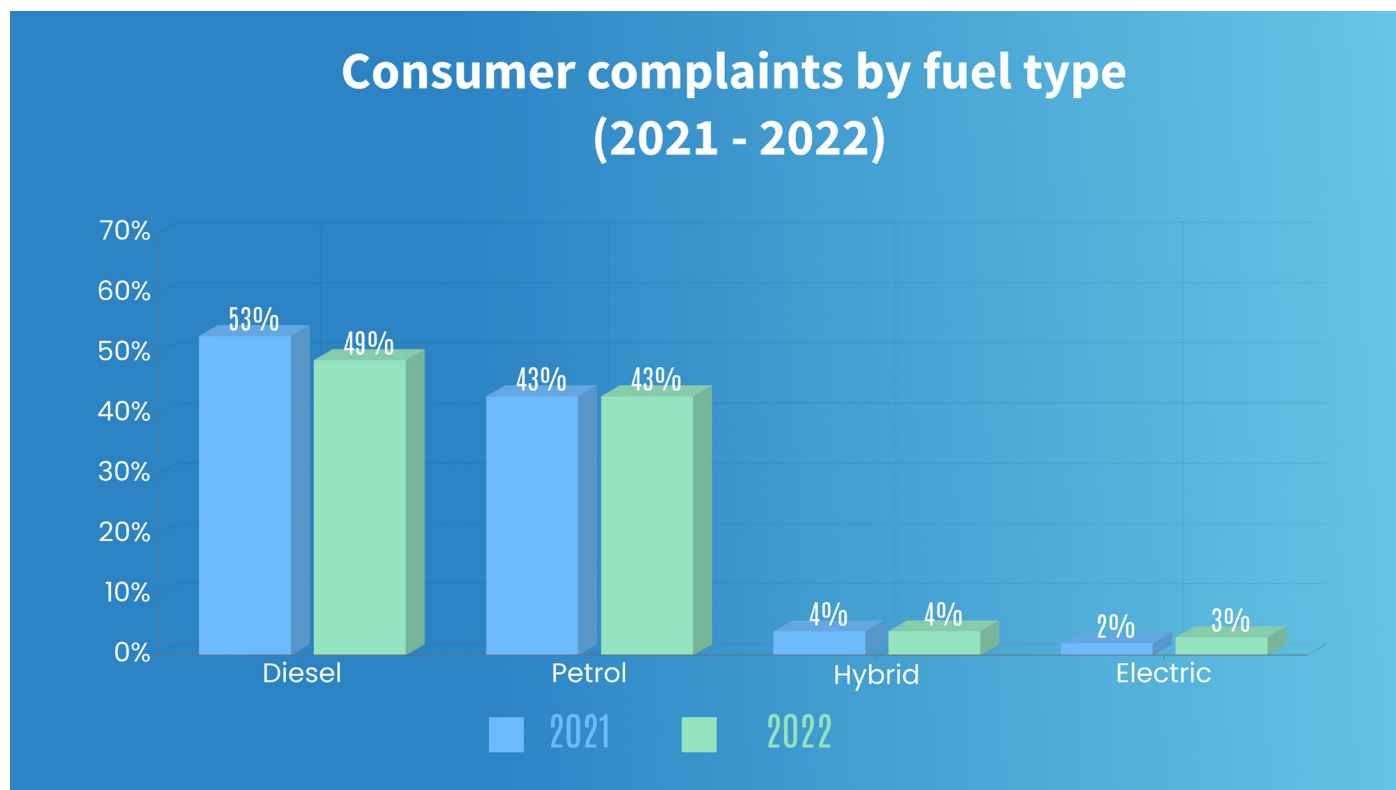
When looking at data published by Citizens Advice, the organisation reported that they had received 41,981 complaints about used cars in 2022²¹, compared to 43,591 in 2021 – a corresponding decline of 4%. This may suggest that more used car complaints may have fallen under the remit of The Motor Ombudsman in 2022 versus 2021, hence the aforementioned year-on-year rise for The Motor Ombudsman's dispute resolution service.

²¹ <https://public.tableau.com/app/profile/citizensadvice/viz/ConsumerAdviceTrendsDecember2022/Cover>

► Consumer complaints brought to The Motor Ombudsman about diesel cars are on the decline

Data from The Motor Ombudsman showed that 2022 saw fewer disputes in relation to a diesel vehicle than in 2021 (49% versus 53% respectively) – shown by the graph below. This is not surprising given that diesel new car registrations fell by nearly 40% between 2021 and 2022²², with used petrol and diesel vehicle sales dropping by nearly 12% during the same period.

Petrol car-related disputes remained static at 43% in 2021 and 2022, with hybrid disputes also staying constant at 4% year-on-year. Electric vehicle complaints however, rose by 1% from 2% to 3% between 2021 and 2022.



As a greater number of consumers turn to EVs especially on the approach to the 2030 internal combustion sales ban, it is expected that the proportion of disputes will continue to shift away further from pure petrol and diesel models in the years to come.

²² Source: Society of Motor Manufacturers and Traders (SMMT)

SECTION 4. An insight into consumer complaints against a backdrop of the cost of living crisis

4.1 Consumers are asking for more to resolve their complaint

One of the over-riding observations of behaviour made by The Motor Ombudsman when it comes to making a complaint is that consumers are asking for a greater level of remedy in response to their issue, and the following has also come to light during the cost of living crisis.



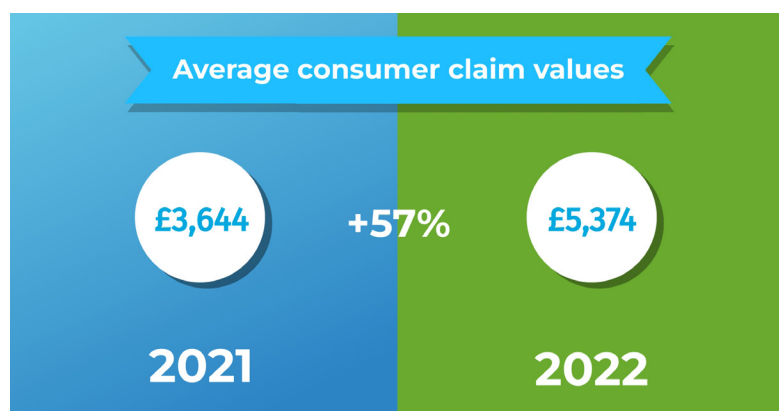
Consumers have been:

- ▶ More **aggressive** when chasing a resolution to their complaint;
- ▶ Submitting **larger** and more detailed case files to support their claim;
- ▶ More adamant on receiving some kind of **goodwill gesture** from the business;
- ▶ Increasingly **rejecting** more informal early resolution outcomes, which means these have declined by **51%** during the last two years (**417** in 2022 versus 628 in 2021);
- ▶ Complaining about the **high cost** of service and repair works to resolve the issue with their vehicle;
- ▶ **More reluctant** to pay for independent technical reports due to the associated costs; and
- ▶ **Increasingly hesitant** to accept the value given to their vehicle during the rejection process, due to mileage deductions for usage.

Based on the above factors, this has an impact on The Motor Ombudsman's ability to resolve cases at earlier stages of its process.

4.2 Average consumer claim values across The Motor Ombudsman's Codes of Practice have increased year-on-year by 57%

When a consumer submits a dispute to The Motor Ombudsman, they are able to attribute an estimated value to their preferred remedy i.e. whether this is equivalent to the cost of a repair to get their car back on the road, or a full refund of the price paid for their vehicle, for instance,



This figure may equally encompass a provision for an element of compensation to cover personal losses suffered due to encountering the problem, such as for forfeited earnings, or for the time spent on resolving the dispute.

Across The Motor Ombudsman's four Codes of Practice, the average overall value of claims submitted by consumers at the point of raising their dispute (as shown in Table 2), has increased by **57%** (£1,730), from £3,644 to £5,374 between 2021 and 2022. This may be down to the coming together of three principal assumptions, which are as follows:

- ▶ The first assumption is that, due to the proliferation of the cost of living crisis, consumers may have felt an added pressure to recoup costs as far as possible so as to reduce the burden of the issue that has occurred and, as a consequence, claimed for more than they would have done in previous years.
- ▶ The second assumption, is that the values stated by consumers have likely been influenced by rising costs and prices due to the aforementioned inflationary pressures, thereby leading to higher claim amounts, as consumers are both asked to pay more for goods and services, and are therefore wanting even more value for money in return, especially at a time when people may be increasingly budget conscious.
- ▶ Finally, consumers making claims under the Vehicle Sales Code, are favouring higher tier remedies, such as a full refund or rejection of the vehicle, thereby leading to a rise in average claim value seen in 2022. It is worth noting that in these instances, lower value remedies, such as a repair may be awarded, if it is deemed to be fair and reasonable in the circumstances.

▼ **Table 2. Average consumer claim values for disputes submitted to The Motor Ombudsman in 2021 and 2022**

Code of Practice	2021 Average claim value	2022 Average claim value	Annual Change (2022 v 2021)
Service and Repair	£2,402	£3,444	▲ £1,042 (43%)
Vehicle Sales	£6,622	£8,420	▲ £1,798 (27%)
New Car	£3,364	£3,766	▲ £402 (12%)
Vehicle Warranty Products	£2,186	£2,402	▲ £216 (10%)
Average claim value across all four Codes of Practice	£3,644	£5,374	£1,730 (57%)
Average claim values incl. those that fall outside of the remit of the Codes of Practice	£3,930	£5,090	£1,160 (30%)

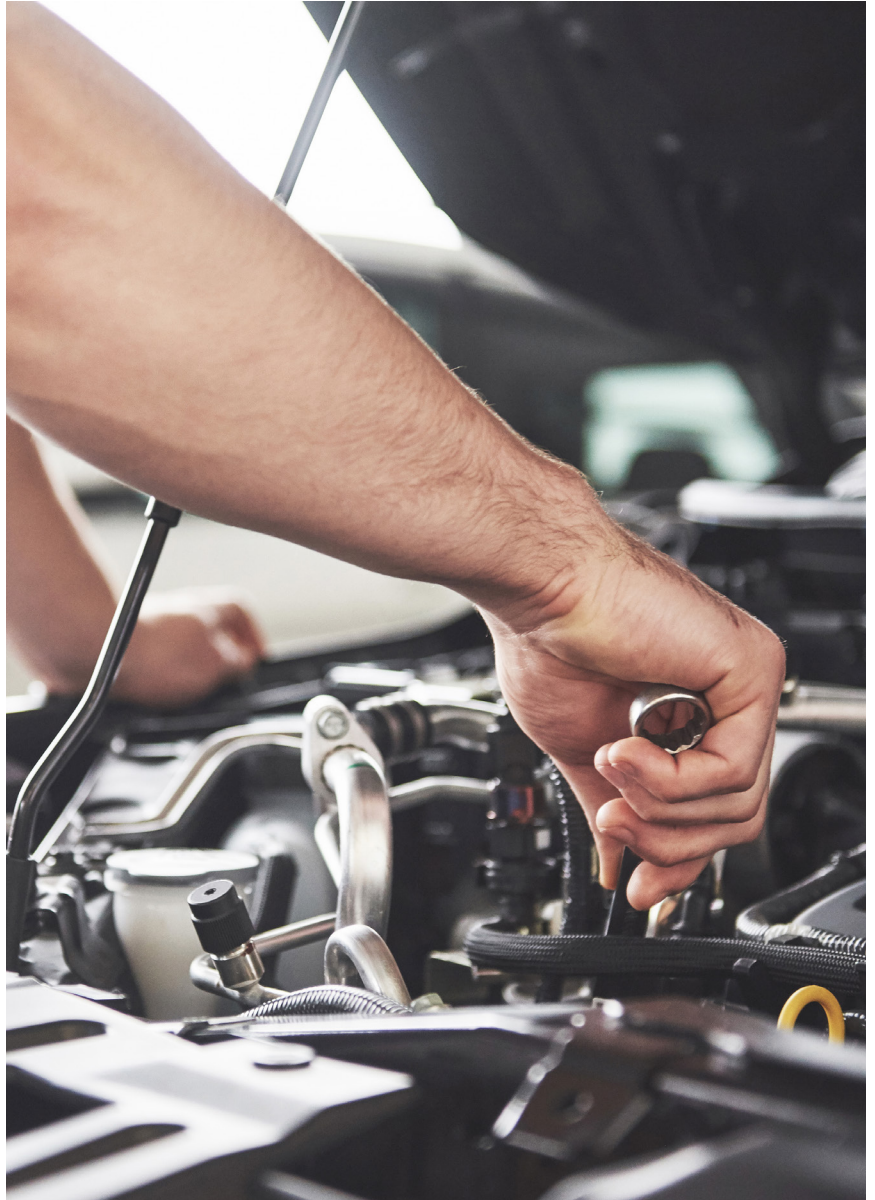
► The average value of service and repair claims has jumped by 43%

Average consumer claims associated with servicing and repairs have seen the most significant rise in values between 2021 and 2022 – a jump of 43% from £2,402 to £3,444. This is not unexpected, given consumers have been impacted by the steadily increasing cost of parts and repairs to keep their cars on the move, due to the widely publicised component shortages, rise in staff wages, and the increasing rate of inflation. In fact, the Office for National Statistics (ONS) reported in October 2022 that the cost of running and maintaining personal transport, including cars, rose by 15% compared with the same point in 2021²³.

The other possible explanation for the significant jump in average claim values is that consumers are holding on to their cars for longer due to the pandemic and the cost of living crisis. Therefore, remedial repairs may be more significant and expensive, thereby leading to a higher average value claim in 2022 versus that recorded in the previous year.

► The highest claim values relate to the purchase of a new or used vehicle

The highest average claim values out of The Motor Ombudsman's four Codes of Practice, were related to the purchase of a new or used vehicle (failing under the remit of the Vehicle Sales Code), and were the subject of a 27% year-on-year increase, up from £6,622 to £8,420. The high value is likely to be heavily influenced by consumers looking for a rejection of the vehicle or full refund of the purchase price in response to an issue that has occurred. This is in contrast to what they may have previously asked for i.e. a repair or discount, that would allow them to keep their car as an alternative to handing back the keys.



► Vehicle warranty dispute claim values have only seen a slight increase

In comparison to the above, claim values in relation to new car and extended vehicle warranty disputes, which come from requests to have repairs covered by the warranty provider (for parts that may not be listed or after the term has expired), and / or to be refunded fully or partially for policy premiums as a preferred remedy, have only grown year-on-year by 11%. This is lower than the aforementioned 15% rise in the cost of running and maintaining a vehicle.

► More disputes may end in deadlock if a mutually acceptable resolution cannot be reached between a consumer and a business

With the pressure on household finances set to tighten further with the annual inflationary rises in bills, and on the assumption that consumers may continue to seek high value awards to cover personal losses and those associated with their vehicle, The Motor Ombudsman expects the gap to widen further in terms of the value of the remedy a consumer is seeking, versus that which a business is willing/able to accommodate. A potential impact of this, is that it may be more difficult for the two parties to reach a mutually agreeable settlement figure in the first instance, thereby leading to an even greater rise in the number of disputes brought to The Motor Ombudsman for resolution, due to reaching a state of deadlock.

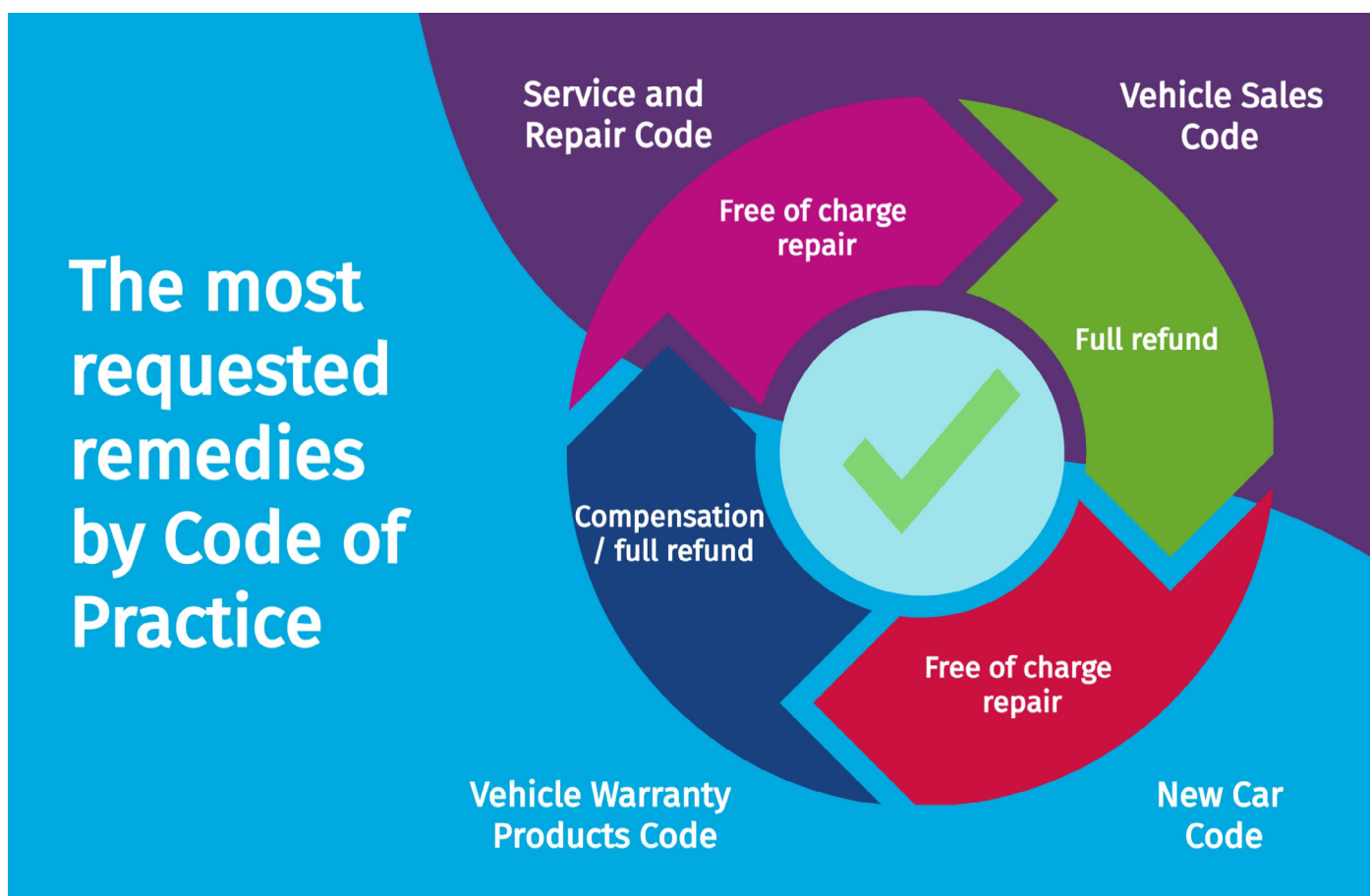
²³<https://www.theguardian.com/business/2022/oct/19/uk-motorists-count-the-cost-amid-big-rise-in-cost-of-car-parts-repairs-and-servicing>

4.3 Consumers are requesting remedies that limit financial detriment, with demands for compensation becoming more commonplace

There are a multitude of remedies that consumers may ask for to help bring their dispute to a close to their satisfaction, which span both monetary and non-monetary awards, such as a full refund (for the former), and an apology from the business or something that is provided for free (for the latter), like a repeat repair, where no money will effectively change hands.

When looking at the most popular remedies by Code, they tend to follow a similar trend, but may change in prominence and priority year-on-year. In summary:

- ▶ A **free of charge repair** remains the preferred consumer remedy for **service and repair** disputes, with requests for **compensation** also becoming slightly more prominent in 2022.
- ▶ **Vehicle sales** disputes have seen a rise in the proportion of consumers seeking a **full refund** to bring their dispute to a close.
- ▶ A **third** of consumers ask for a **free of charge repair** to resolve their **new car warranty** dispute.
- ▶ **Compensation** as a preferred remedy became much more prominent in 2022 for extended vehicle warranty disputes, whilst a **full refund** of policy premiums also featured highly as a resolution.



▼ **Table 3. The most requested remedies stated by consumers when submitting a dispute to The Motor Ombudsman (by Code of Practice) in 2021 and 2022**

NOTE: The % figures highlighted in Table 3 denote the proportion of consumers seeking that particular remedy during the year to bring their dispute to a close

Service and Repair Code				
2021	%	2022	%	2022 v 2021
1. Free of charge repair	27%	1. Free of charge repair	27%	-
2. Full refund	20%	2. Full refund	22%	+1%
3. Compensation	21%	3. Compensation	20%	-
4. Partial refund	5%	4. Partial refund	4%	-1%

Key points:

- ▶ A business **fixing the problem at no cost** to the consumer, especially if it was not rectified in the first instance to the customer's satisfaction, remained the preferred remedy for just over a quarter (27%) of service and repair disputes submitted in 2021 and 2022.
- ▶ It is worth noting that a free of charge repair or price reduction are the most prevalent legal resolutions for disputes relating to the supply of goods and services, so these remedies (i.e. a free of charge and full refund) remaining **static** as a percentage year-on-year, is not unsurprising.
- ▶ Some work can be costly, meaning consumers will be **even more reluctant** at a time of great financial pressures to have to use their own funds to pay for repairs on their vehicle, especially if they do not deem them to be their responsibility or to have been influenced by the use of their car.
- ▶ It is also interesting to note that **compensation** became a slightly more prominent request in 2022 (22%) compared to the previous year (21%), and surpassing a full refund (as a single remedy at 20%), which reflects the onset of a more challenging environment for consumers last year.
- ▶ It is worth noting that, where compensation for **personal loss** (e.g. to do with time and income, for example) is stated by a consumer, this is often asked for by individuals to supplement a remedy to cover issues incurred with their vehicle, so the percentage figures stated should not be viewed in isolation in this table.
- ▶ On some occasions, compensation may be asked for **additionally** as a less formal request to The Motor Ombudsman's dispute resolution team as a preferred remedy, so may not be formally recorded, whereas on other occasions, compensation may be asked for as a **primary remedy** when submitting a dispute, as shown in the table above.

Vehicle Sales Code				
2021	%	2022	%	2022 v 2021
1. Full refund	27%	1. Full refund	29%	+2%
2. Free of charge repair	16%	2. Free of charge repair	15%	-1%
3. Compensation	16%	3. Compensation	14%	-2%
4. Rejection	9%	4. Rejection	14%	+5%
5. Partial refund	6%	5. Partial refund	4%	-2%
6. Replacement vehicle	6%	6. Replacement vehicle	4%	-2%

Key points:

- ▶ 2022 – the height of the cost of living crisis, saw a slightly contrasting picture to 2021, where consumers were less inclined to want to keep their vehicle due to the cost of ownership, hence a rise in the proportion of those seeking either a **full refund** or **rejection** to bring their dispute to a close (14% and 29% in 2022 versus 9% and 14% in 2021).
- ▶ Therefore, in 2022, more consumers were looking for the **higher value remedies** to effectively give up their vehicle and end the relationship with an existing retailer, for example, and opt instead to either buy a cheaper car, maybe on an alternative financing arrangement, to make running costs comparatively more affordable.

New Car Code				
2021	%	2022	%	2022 v 2021
1. Free of charge repair	33%	1. Free of charge repair	33%	-
2. Honour the warranty terms	15%	2. Honour the warranty terms	16%	+1%
3. Full refund	13%	3. Full refund	11%	-2%
4. Compensation	10%	4. Compensation	10%	-
5. Replacement of part	8%	5. Replacement of part	5%	-3%

Key points:

- ▶ When a consumer deems a mechanical or electrical issue to be covered under their new car warranty agreement due to a manufacturing defect, they will often ask for a **free of charge repair** to be covered by a manufacturer to fix their vehicle, which explains a third (33%) of consumers asking for this as the preferred remedy.
- ▶ Closely linked to this is, is the consumer's request for the manufacturer to honour the terms of the warranty (15% in 2021 and 16% in 2022), which goes back to the consumer **not wanting to be out of pocket** for what can be expensive repairs or the replacement of components – a request which becomes even more pertinent during a period where the cost of living is becoming ever more expensive.
- ▶ Compared to an extended warranty policy, where a consumer has voluntarily paid for such an agreement, a new car warranty will come with the car when purchased, typically lasting between three to seven years. Therefore, for disputes that fall under the New Car Code, **a full refund** (13% in 2021 and 11% in 2022) may be requested for where a consumer has paid out for a repair, but should have been reimbursed from their point of view by the manufacturer for something that relates to how the car was made, rather than being down to wear and tear or the usage of the vehicle.

Vehicle Warranty Products Code

2021	%	2022	%	2022 v 2021
1. Full refund	21%	1. Full refund	36%	+22%
2. Honour the warranty terms	21%	2. Honour the warranty terms	23%	+2%
3. Free of charge repair	21%	3. Free of charge repair	14%	-7%
4. Compensation	14%	4. Compensation	9%	-
5. Repair cost contribution	5%	5. Repair cost contribution	5%	-

Key points:

- ▶ The most notable shift in consumer behaviour in terms of disputes in relation to the Vehicle Warranty Products Code was that **compensation** as a preferred remedy became much more prominent in 2022 (36%) than in 2021, leaving a **primary** remedy of this Code, i.e. **'honouring the warranty terms'**, expected for a warranty product of this kind, behind in 2022.
- ▶ Compensation may be requested in instances, such as if a courtesy car was not provided during a warranty repair, and the consumer was unable to work and earn money. This is of course, something that is much more noticeable when household finances are already under significant **strain**.
- ▶ A **full refund** of policy premiums also featured highly (23% in 2022 versus 21% in 2021), which may be put down to two primary reasons. The first is for components or repairs not being covered at the time of the consumer submitting their claim, which was contrary to their understanding when purchasing the policy, therefore leaving a feeling of mis-selling by the provider. The second, is if the consumer paid to have the issue with their vehicle rectified, and was looking to the warranty provider to have this cost reimbursed.
- ▶ A **free of charge repair** under the terms of a warranty policy as a preferred remedy became less prominent in 2022 compared to the year before (a drop of 7%), due to the aforementioned resolutions becoming more of a priority for consumers.

4.4 The impact of disputes on potentially vulnerable consumers during the cost of living crisis



Having to deal with a dispute where there are significant financial and mobility implications, can prove stressful for many. However, when there are notable “shocks” to the health of consumer finances, such as those seen during a cost of living crisis, for individuals that may be considered potentially vulnerable i.e. they may already be subject to high levels of debt, or for those who have underlying health concerns and rely on their car for independence or to get to and from medical appointments for example, the impact of a complaint about a car on mental or physical wellbeing may be even greater.

When a consumer is identified as being potentially vulnerable according to The Motor Ombudsman’s pre-defined matrix, which can apply to anyone who experiences any form of vulnerability, whether temporary or not, has no bearing on an adjudication outcome or final decision. However, where appropriate, the case may be prioritised to deliver a faster resolution so as to reduce the burden of the dispute on the consumer as far as possible.

▶ Claim values tend to be higher amongst potentially vulnerable consumers

When looking at claim values for consumers who may be identified as being potentially vulnerable, they tend to be higher than the average seen for all complaints logged during the year, including for those that fall outside of the remit of The Motor Ombudsman’s Codes of Practice (as seen in the brackets below).

One possible explanation for this circa £2,000 variation in claim values from year to year, is that, for people that have potential vulnerabilities, they may be more exposed to financial detriment.

Average claim values by consumers identified as being potentially vulnerable*



*Figures include values for disputes that also fall outside of the remit of The Motor Ombudsman's four Codes of Practice. Figures in brackets are for overall average values seen by The Motor Ombudsman in 2021 and 2022 as reported in Table 2.

▼ Table 4. The most requested resolutions by consumers identified as being potentially vulnerable

2021	%	2022	%	2022 v 2021
Total individual claims: 119		Total individual claims: 285		+140%
1. Full refund (18)	15%	1. Full refund (71)	25%	+10%
2. Free of charge repair (17)	14%	2. Free of charge repair (55)	19%	+5%
3. Compensation (11)	9%	3. Compensation (28)	10%	+1%

A **full refund** remained the preferred remedy by potentially vulnerable consumers, due to wanting to give up ownership of the car, with a greater proportion of individuals requesting this in 2022 versus the year before (25% compared to 15%). Examples of reasons cited for this remedy by consumers during the past two years, included:

- ▶ Discovering that the vehicle had no service history on delivery despite being informed to the contrary at the point of purchase;
- o People in potentially vulnerable circumstances may be taken advantage of and misinformed at the point of sale, leaving them feeling that the car had been mis-sold, and wanting a full refund as a remedy.
- ▶ For being sold a car that was faulty, and having to wait significant period for replacement parts; and
- o People with potential vulnerabilities, or who are at a financial disadvantage, may require specific adaptations for their vehicles, and may be unable to wait for prolonged periods for repairs – an impact which may be more felt than by the average consumer.
- ▶ Encountering faults with an Approved Used vehicle.

Where a **free of charge repair** was requested as a preferred remedy, reasons cited by consumers, included:

- ▶ Discovering scratches on the bodywork upon the delivery of a vehicle;
- ▶ A business damaging the timing belt during repairs, causing engine failure; and
- ▶ A repairer making holes that were jagged and too large when installing sensors on to the rear bumper of a vehicle.

Where **compensation** was stated as a preferred resolution to a dispute, reasons cited by consumers, encompassed:

- ▶ The engine catching fire after parking the vehicle (during an already stressful period of ill-health);
- ▶ The power steering failing whilst at a medical appointment for their disabled child; and
- ▶ Not being provided with a courtesy car to get to and from essential medical appointments during vehicle repairs.
- o Consumers with long-term illnesses or who regular medical attention, can be highly dependent on a vehicle to attend appointments, so drawn out disputes may have a significant effect on their health.

The following are two case studies to showcase examples of disputes brought by vulnerable consumers to The Motor Ombudsman in 2022, where challenging personal circumstances were highlighted by the complainant, alongside the faults encountered with their vehicle.

1. Case summary:

Potential consumer vulnerability identified	Financial difficulty / mental ill health
Consumer's claim	Post-purchase mechanical / electrical faults
Code of Practice / Nature of dispute	Vehicle Sales Code / Sales dispute
Age of vehicle when purchased (years)	10
Type of vehicle	Saloon
Preferred customer resolution	Vehicle rejection and compensation
Value of preferred resolution	£8,000
Adjudication outcome	Case upheld in the consumer's favour
Award	For the business to cover the cost of vehicle repairs

► What was the consumer's complaint?



Mr A purchased a used 62-plate saloon car (registered in September 2012) from an independent car retailer in January 2022 on a finance agreement. A week after taking ownership, he encountered brake and steering wheel judders, and warped brakes, meaning the car was unsafe to drive. The vehicle was collected by the business for repairs, but the problems persisted after the work had been done. The consumer then took the car to a franchise dealer for an independent inspection, but this did not reveal any faults with the brake discs and pads.

Due to the ongoing problems, and the occurrence of several other faults, such as problems with the electrics, Mr A contacted the finance company in April 2022 to reject the vehicle as he deemed it to be unfit for purpose and unsafe to drive, and commissioned an independent inspection to assess the vehicle. Mr A also stated that communication and customer service was poor from the vehicle seller, and it took some weeks for his dispute to reach The Motor Ombudsman.

To resolve his complaint, he requested a full refund of his £3,000 deposit, plus £5,000 compensation for loss of earnings and damage to his reputation due to the inability to travel to work.

► What highlighted potentially vulnerable circumstances in Mr A's complaint?

In his complaint to The Motor Ombudsman, Mr A wrote: *"This business has pulled the wool over my eyes, and I'm now being victimised. I have no money! I'm out of pocket and financially doomed because of this whole experience! I might as well leave this world. I'm that upset by this whole experience."*

The above correspondence highlights financially challenging circumstances, and the toll taken on the mental wellbeing of Mr A. This therefore made this particular case eligible for being escalated for adjudication to help reduce the degree of burden on Mr A caused by the problems he had encountered.



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

The vehicle retailer that sold the car to Mr A responded by explaining that the work that they undertook was not a failed repair, and that the consumer was satisfied for many weeks after the business replaced the auxiliary battery, discs and pads. In addition, they highlighted that the franchise dealer confirmed that no faults were found with Mr A's car, and that that they always tried to assist Mr A in any way possible.

► What outcome did the adjudicator reach and why?

The adjudicator reviewed the evidence from both parties, and came to a fair and impartial decision on the following aspects of Mr A's complaint:

The faults with the vehicle

The adjudicator explained that, if a defect is discovered with a vehicle within the first six months of purchase, it is evidentially presumed that it is an inherent fault which would have been present at the point of sale, meaning the evidential burden is on the seller of proving otherwise.

Based on the documents provided, it showed the brakes were faulty, but had since been repaired by the business at no cost to Mr A, plus there was no evidence to show that, after the work, there continued to be an ongoing fault with the vehicle.

The adjudicator also noted that Mr A listed a number of other faults with the vehicle, but no documentary evidence of these were provided. Therefore, in summary, this element of the consumer's complaint was not upheld, as no breach of the Vehicle Sales Code had been found.

The customer service provided by the business

The adjudicator acknowledged that Mr A felt that he had received sub-standard customer service, but at the same time, stated that there was no documentary evidence to prove that this was the case, and to support his claim. Therefore, no breach of the Vehicle Sales Code was found for this aspect of the consumer's complaint, and no award was made.

► What was the response from Mr A and the business to the outcome?

Mr A challenged the decision based on being able to supply new evidence in the form of an independent inspection report he had commissioned regarding the faults he had highlighted. Based on the findings, which the business did not respond to, the adjudicator concluded that, on the balance of probabilities, the vehicle was not of satisfactory quality at the point of sale, as a reasonable person would not expect a vehicle to have such faults within a few months of purchase. As a result, the case was subsequently upheld in Mr A's favour, and the business was directed to cover all costs of repair to the consumer's vehicle.

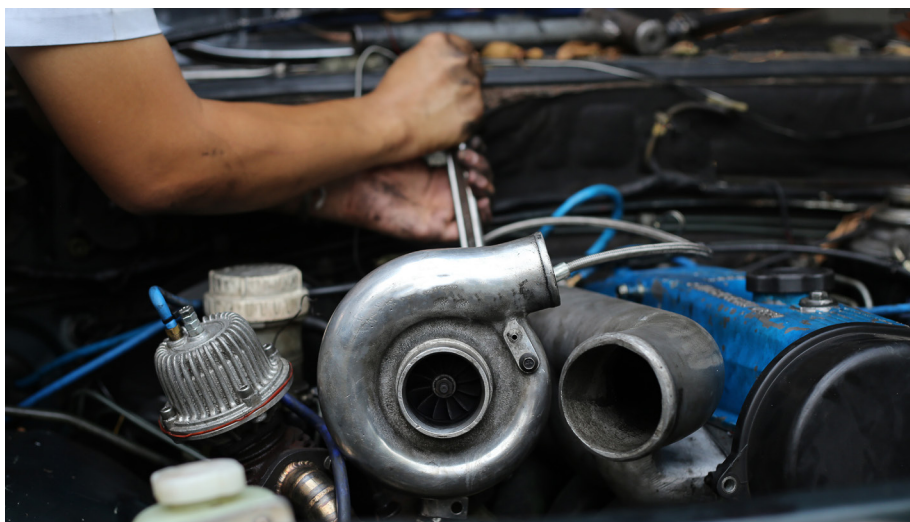
2. Case summary:

Potential consumer vulnerability identified	Financial difficulty / mental ill health
Consumer's claim	Vehicle was suffering from multiple faults since taking ownership of the car
Code of Practice / Nature of dispute	Vehicle Sales Code / Sales dispute
Age of vehicle when purchased (years)	8
Type of vehicle	SUV
Preferred customer resolution	Cancellation of finance agreement / Vehicle rejection
Value of preferred resolution	£4,000
Adjudication outcome	Not upheld in the consumer's favour
Award	None

► What was the consumer's complaint?

Ms B purchased a used eight-year-old SUV with 78,000 miles on the clock in May 2020 for £6,000 on a finance agreement. During the first two years of ownership, the car suffered from problems with the turbo, the wiper motors, the car's battery, the tyres, alongside other minor issues. Ms B explained that she had been put into serious debt due to having to pay for the repairs, and believed that the SUV had previously been in an accident, as the electric windows didn't go down, and the bonnet was showing signs of damage. The car also failed its MOT in February 2022.

To resolve her complaint, Ms B was looking to cancel the finance agreement and reject the vehicle.



► What highlighted potentially vulnerable circumstances in Ms B's complaint?

In her complaint to The Motor Ombudsman, Ms B wrote: *"I have ended up in a lot of debt and been very depressed due to this car, and also had lots of time off work due to having no car when this was getting fixed."*

The above correspondence highlights financial difficulty in terms of Ms B accumulating debt, and the toll taken on the mental wellbeing of the consumer, thereby making this particular case eligible for being escalated for adjudication.

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

The seller of the vehicle responded by saying that Ms B's first complaint was raised 11 months after taking ownership of the vehicle, and after having completed 13,238 miles since buying the car. They also pointed out that the consumer had provided no evidence as to why there was a requirement to fit a replacement turbo. Therefore, the business said that Ms B's complaint was rejected due to a lack of evidence supplied by the customer or repairer.

The finance company equally rejected Ms B's request to cancel the finance agreement on the grounds that there was insufficient evidence regarding the faults highlighted, and the documentation did not suggest that the faults with the vehicle were present or developing at the point of sale.



► What outcome did the adjudicator reach and why?

The adjudicator noted that Ms B's vehicle had suffered from several issues, and the invoices supplied by the garages indicated that several repairs had been undertaken on the car, as well as failing its MOT on February 2022. As such, there was no dispute that there were faults with the vehicle.

The adjudicator also explained that the evidence did not demonstrate that, at the point of sale, the vehicle suffered from an inherent fault. It was also noted that, at the point of sale, Ms B's car had passed its MOT with only an advisory to the linkage ball-joint. The adjudicator remarked that, had there been issues with the tyres, battery, windscreen wipers or any of the components, it is likely the vehicle would have failed the test at this stage. Instead, the car failed its MOT in February 2022 – two years after Ms B purchased the car. Therefore, this indicated that the MOT defects present in February 2022 were not there two years prior or at the point of sale.

Ms B also believed that the vehicle had been in an accident, and that the repairs she paid for were as a result of this. However, the consumer did not provide any evidence to show this to be the case.

The adjudicator therefore concluded that, in the absence of evidence to demonstrate that the vehicle faults highlighted by Ms B were present at the point of sale, the case could not be upheld in the consumer's favour, as no breach of The Motor Ombudsman's Vehicle Sales Code had been identified.

► What was the response from Ms B and the business to the outcome?

Ms B and the business agreed with the adjudication outcome, and no appeal was made by the consumer. The case was closed.

4.5 The prolongation of disputes by consumers due to costly repair bills

What The Motor Ombudsman has also seen on some occasions is consumers querying the outcome of their dispute, and the actions of the business, in order to prolong their complaint and avoid having to make any payments for which they remain liable for. This can be illustrated by the following case study:

Case summary:

Consumer's claim	The initial vehicle faults reported were not looked at or fixed from the consumer's point of view
Code of Practice	Service and Repair Code
Age of vehicle when purchased (years)	Nearly 14.5
Type of vehicle	Saloon
Preferred customer resolution	Vehicle rejection
Value of preferred resolution	£800 for inconvenience and distress
Adjudication outcome	Partially upheld in favour of the consumer
Award	Apology from the business
Delay of customer payment	15 months from the date of the invoice up until when the case was closed, with payment not yet made



was partially upheld in her favour. However, at the time of the decision, the invoice continued to remain outstanding after more than a year from when the repairs had been carried out on Ms D's vehicle.

Ms D bought a 07-plate saloon (registered in March 2007) in August 2021, meaning the car was over 14 years old at the point of purchase. In September 2021, the consumer booked the car in for repairs due to it losing power, and after the vehicle was kept by the garage for a few days, there were conflicting reports when Ms D contacted the business on multiple occasions, as to whether the car had been looked at.

The repairer issued Ms D with an invoice totaling £1,350 in September 2021 after carrying out the work on her vehicle and providing an element of goodwill in the form of a discounted bill. Ms D explained that she had made the payment, but it transpired that her card had been declined, so this was also a secondary element of dispute, as she believed she had already paid for the work.

Ms D received a formal apology from the business as directed by The Motor Ombudsman after the case

4.6 Customer vehicles being abandoned at garage premises without authorisation

On occasions, The Motor Ombudsman's Business Advice Line receives enquiries in relation to cars being left by consumers at their premises without authorisation. Despite making up a small proportion of the total business contacts received by the Advice Line on an annual basis, enquiries relating to this subject increased from 0.70% of total business contacts in 2021 to **6.2%** in 2022. Furthermore, The Motor Ombudsman has equally seen a 50-50 split from franchise dealerships and independent garages for this nature of enquiry.

Cars being left on business premises have primarily arisen because of a dispute between a customer and business about either the cost of the work that has been undertaken on a vehicle, or the requirement for costly repairs to return the car to a safe and roadworthy condition. This would typically be for a used vehicle which has reached the end of its lifecycle, where the high value of the repair outweighs the actual value of the car, therefore making it uneconomical to proceed with work in the eyes of the consumer.

In some instances, a vehicle that a consumer is making finance repayments on may be abandoned. However, existing data shows that The Motor Ombudsman is not seeing customers taking advantage of a car purchased in this way to leave it with a business on an unauthorised basis.

► What is The Motor Ombudsman's approach to a dispute where a car has been abandoned without authorisation on the premises of an accredited business?

The Motor Ombudsman will always look at the facts gathered from both the consumer and business to arrive at a fair and impartial decision:

- If The Motor Ombudsman finds in **favour of the business** i.e. that they have the right to withhold the vehicle after it being left without authorisation, The Motor Ombudsman can advise of suitable next steps based on the business's terms of use e.g. the use of local council services for recovery, the applicable bylaws for abandoned property, such as vehicles. Furthermore, the consumer may not have the right to have their vehicle returned if there is an outstanding bill, meaning the business is permitted to withhold the vehicle until it is settled.
- If The Motor Ombudsman finds **in the consumer's favour** that the business is withholding the vehicle incorrectly, then it can inform the business to set aside some or all of their monies due to the customer, and return the vehicle to the owner.

The following are a couple of examples of enquiries brought by businesses to The Motor Ombudsman's Business Advice Line in 2022, after customer vehicles were left on their premises without permission.

Business enquiry 1:

The consumer's vehicle was brought into the business by a breakdown service with a loss of power. The business agreed that, until the fault codes were cleared, they could not establish whether there was any other damage, so in the meantime, they agreed the replacement of parts with the consumer for those which were known to have failed.

During the repairs, it was discovered the vehicle would not hold fuel pressure and required a new engine. At this point, the consumer stopped liaising with the business and did not pay for the original repairs, leaving the garage out of pocket with an uneconomic repair vehicle held 'on lien' (i.e. a right which entitles a party to hold on to assets in their possession pending payment of a debt owed).

► How did The Motor Ombudsman respond to this business enquiry?

In this instance, The Motor Ombudsman advised the business to formulate a letter of final response to the consumer, and to obtain information from the recovery agent to substantiate their position. The Motor Ombudsman equally stated that it was the decision of the consumer as to whether they brought their own case to The Motor Ombudsman in relation to this matter, so that the dispute could be formally adjudicated on using evidence gathered independently from both sides.

Business enquiry 2:

The business undertook repairs to a vehicle at a cost to the consumer of around £1,500. About a year later, the replacement parts failed, and the consumer requested for the business to diagnose the problem free of charge.

The business declined this request, but offered favourable rates, as they felt that, due to the time that had elapsed since their repair was initially carried out, this made it unlikely the failure was anything to do with their workmanship. The Motor Ombudsman was not aware if the replacement parts were under covered under warranty.

The consumer ended up taking their vehicle to the business for the diagnosis of the issues. The business confirmed the parts failure, and explained to the consumer that they could not be held liable for what had happened. They provided a quote to the customer to undertake the remedial work, but the consumer ceased communications with the business, and refused to collect the vehicle.

It is worth noting that, under The Motor Ombudsman's Service and Repair Code, there is no obligation for a business to provide a warranty for replacement parts, but they still have to abide by the conditions of the Code that parts are as described, and of satisfactory quality.

► How did The Motor Ombudsman respond to this business enquiry?

In this instance, The Motor Ombudsman advised the business to formulate a letter of final response to the consumer, setting out the reasons for the new repair, why it wasn't related in their view to the previous works, and to inform that customer that if they were unhappy with the response from the business, that they had the right to submit their dispute to The Motor Ombudsman so that it could be formally adjudicated on using evidence gathered independently from both sides.

Key learning point: What is a business able to do if a consumer leaves a car at their premises without authorisation, and does not collect it?

If a suitable resolution cannot be found with the vehicle owner through direct dialogue in the first instance, the law of bailment (i.e. the law which governs the rights of owners of property and those who receive possession of property) determines whether the business can sell the consumer's car to recover costs etc. They need to store the vehicle for a set period of time, and then apply to the court to allow this. However, all terms need to be worded correctly, with the correct notice given to the consumer.

Charging the consumer storage costs for a vehicle left on business premises depends on the terms of business provided to the consumer, and whether those terms were drafted and issued correctly to be enforceable under the Consumer Rights Act 2015, which affect fairness of terms.



4.7 Claims made for consumers outside the term of a warranty have been limited

When a consumer purchases a brand new car, the term of the warranty will typically be between three and seven years, and often covers mechanical and electrical failures resulting from a manufacturing defect, whilst a policy may also extend to batteries for electric vehicles. However, once the term of the warranty expires, a manufacturer has no legal obligation to cover the repair of a vehicle and the cost of any replacement parts, but can voluntarily offer an element of goodwill to help maintain a long-term relationship with the customer.



One might make the assumption that, due to the rise in the cost of living, and consumers having less disposable income available, there would have been an increase in the number of claims being made by vehicle owners following the expiry of the new car warranty period. However, a survey of vehicle manufacturers accredited to The Motor Ombudsman's New Car Code revealed in February 2023 that, despite the increased pressures on household budgets, 95% of claims received remained within the stated warranty period during both 2021 and 2022.

Where a claim was made outside of the warranty period, manufacturer goodwill took the following form according to the survey respondents:

- ▶ A contribution towards the cost of a repair (for 100% of goodwill gestures offered);
- ▶ A free service / repair (for two thirds of goodwill gestures offered); and
- ▶ A voucher, cash payment, and a contribution towards the cost of a customer's next vehicle (for a third of goodwill gestures offered).

The research showed that the primary reasons for manufacturers granting goodwill outside of the warranty period, included:

- ▶ Historic customer loyalty (stated by all respondents);
- ▶ A full service history within the franchise network (stated by all respondents);
- ▶ The consumer's individual circumstances (stated by two thirds of respondents);
- ▶ To help repair the relationship with the consumer (stated by two thirds of respondents);
- ▶ To help maintain a future relationship with the consumer (stated by two thirds of respondents); and
- ▶ To protect brand reputation and image (stated by two thirds of respondents).

▶ Extended vehicle warranty claims made outside of the term of the policy

For extended vehicle warranty providers, the research conducted by The Motor Ombudsman painted a similar picture, with respondents showing only 2% of claims were made outside of the term of the policy. However, the goodwill provided took the form of:

- ▶ A contribution towards the cost of a repair (for two thirds of goodwill gestures offered); and
- ▶ The full payment of the repair claim (for a third of goodwill gestures offered).

What is also interesting to note is that, protecting brand image and reputation ranked as the most important factor for all extended warranty providers that took part in the research, when approving a claim outside of the warranty period.

Coming second was the individual's circumstances (for two thirds of respondents), with helping rectify a business-consumer relationship seen as important criteria for a third of extended vehicle warranty survey participants.

SECTION 5. Conclusion

In summary:

- o The increased strain on household finances due to the cost of living crisis has impacted the **nature** and **urgency** of complaints brought by consumers to The Motor Ombudsman;
- o There is a greater **intention** for consumers to achieve a higher value award to reduce the level of financial detriment;
- o **Compensation** for personal loss on top of a preferred remedy has gained greater **prominence**;
- o The number of complaints brought by motorists is not set to show any **significant downward shift** in the shorter term due to the ongoing cost of living pressures;
- o **Used car complaints** are likely to remain a **dominant theme**, especially if lower quality stock is sourced by retailers to keep forecourts populated with vehicles to sell, and prices continue to increase; and
- o Although the data presented in this paper points to emerging trends, it is merely a **representative snapshot** of the trajectory of the automotive dispute landscape, and the reality is that what The Motor Ombudsman has seen, may have been amplified to a greater extent.

The following key conclusions may be drawn from the observations noted in this paper:

► The cost of living crisis has impacted the nature and urgency of consumer complaints

The primary observation that can be drawn from this paper is that the increased strain on household finances due to the cost of living crisis, especially for those who are potentially vulnerable, has impacted the nature and urgency of complaints that are brought by motorists to The Motor Ombudsman.

► There's a greater impetus to achieve a higher tier remedy

When something goes wrong for a consumer who is living in a more pressured environment, this leads to a greater impetus and intention to achieve a higher tier of remedy, compared to what may have been seen in previous years when disposable income went further, and what may have been previously deemed an 'acceptable' resolution. Therefore, what is unfolding is that consumers may shun more amenable remedies in the first instance, such as repairs, in favour of a resolution, such as a full refund or rejection, which effectively severs ties with a business and allows them to pursue other, and more cost effective avenues from their perspective.

► Demands for compensation have gained greater prominence

Compensation for personal financial loss, which has equally gained prominence in some areas, equally reflects consumers experiencing more challenging day-to-day circumstances to increasingly recoup recompense for detriment suffered to help ease the raised cost of living.

► Consumer complaints are likely to remain high in the shorter-term as the cost of living crisis persists

Total consumer contacts submitted to The Motor Ombudsman on an annual basis have increased to record levels, and based on the fact that the cost of living crisis will continue at least in the near future, due to the further rise in household bills at the start of the 23/24 financial year, there are few signs that the number of disputes brought to The Motor Ombudsman will subside in the coming months.

This thinking is mirrored in a webinar hosted by The Motor Ombudsman for automotive businesses in February 2023, which saw 75% of respondents explain that they had seen an increase in the number of disputes lodged by customers in recent months – a further hint as to what the future may hold for consumer complaints in the automotive sector.

► Used car complaints are likely to remain a dominant theme

With used car complaints a dominant theme in what The Motor Ombudsman sees, stock shortages may lead to retailers having to source vehicles via alternative and possibly lower quality means to keep forecourts full. This has the risk of fuelling further disputes, more expensive claims as used car prices go higher, and remedies which remain in the upper tier of demands, such as full refunds and rejection.

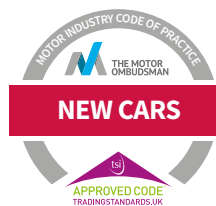
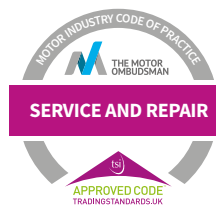
► A snapshot of trends with the observations presented likely to be on a far bigger scale...

It is important to point out that The Motor Ombudsman only sees a proportion of motoring-related disputes that are brought by consumers. This is due to The Motor Ombudsman not being able to handle all types of automotive complaints (e.g. those related to leasing or finance, for example) within its remit, and because, not every business, such as independent garages or vehicle manufacturers are voluntarily accredited to either The Motor Ombudsman, or indeed, to any other ADR body, as it is not currently mandatory to do so.

Therefore, although the data presented in this paper points to emerging trends, it is merely a representative snapshot of the trajectory of the automotive dispute landscape, and the reality is that what The Motor Ombudsman is seeing may be amplified to a greater extent.

► There are small glimmers of hope on the longer-term horizon

With the UK likely to avoid a recession in 2023, and the prospect of easing and possibly lower energy bills towards the tail end of the year, there are glimmers of a more financially viable setting for motorists, which may then see a return to more complaints being resolved between consumers and businesses, and lower demands. It's an uncertain future against the backdrop of the current environment, but there are however, signs of positive change going forward.



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