

Reforming Consumer Policy

Summary of the alternative dispute resolution reforms proposed by Government for the home improvement sector.



OVERVIEW OF GOVERNMENT PROPOSALS

Reforming Competition and Consumer Policy

The government consultation published by BEIS in July 2021, sets out a vision for transforming the UK's competition and consumer policies to make it best in class, including reforms to consumer rights in the home improvement market, where there is *“stubbornly high levels of consumer harm, with problems not being resolved, and consumer satisfaction remaining low”*.

Within the Alternative Dispute Resolution (ADR) landscape, to strengthen both consumer rights and business competitiveness, the Government is proposing 4 key reforms:

1 ADR to be mandatory in the home improvement sector

The proposals include more immediate plans to make ADR a mandatory requirement for home improvement companies, based on the high volume and value of consumer detriment in the sector. Evidence shows that many consumer disputes could benefit from ADR, because it is less confrontational in nature and lower in cost to both businesses and consumers.

“Both sides have an alternative to the time-consuming and potentially costly route through the courts and levels the playing field for decent businesses who are doing the right thing.”

Proposals also include introducing a lower limit on the value of claims and potentially a nominal charge to consumers to allay business concerns over frivolous or low value complaints.

2 Speeding up access to ADR

Where a complaint cannot be settled, the Government is proposing that both consumers and businesses should have access to ADR at 4 weeks.

“There is a good case for halving the upper threshold of eight weeks in markets where ADR is mandatory so that businesses are incentivised to settle problems promptly and, if necessary, consumers can take complaints to ADR more quickly.”

Giving both consumers and businesses quicker access to ADR will help reduce stress, financial hardship, and the erosion of trust and potential reputational harm to businesses.

3 Improving consumer awareness and signposting

Most businesses try hard to resolve consumer complaints. However, when consumers and businesses cannot agree, the reforms propose making it easier and simpler for consumers to understand their rights. Evidence suggests that consumers still find it difficult to understand their redress options, make the right choice for them and navigate the routes to resolving their problems, particularly if they are vulnerable.

The government is working with established service providers, including Citizen's Advice, to understand how it can help improve awareness of ADR and how it works, as well as supporting vulnerable customers.

4 Improving the quality and consistency of ADR services

The government also intends to improve the quality and consistency of ADR services in consumer markets, to further increase business and consumer confidence in ADR.

Proposals include requiring that services are only delivered by accredited ADR providers through the application of a common legal framework around expertise, independence, impartiality, transparency, and annual reporting.

“Currently there are numerous non-accredited and unsupervised providers that offer dispute resolution on an informal basis alongside accredited providers. Mandatory approval by the Competent Authority would mean that all providers operate to a common set of quality standards and oversight.”

The Government is also proposing to introduce a ‘fit and proper’ approved-persons test for people in senior roles and strengthen the minimum service expectations of ADR including improving communications on case progression, dealing with straightforward cases as promptly as possible, and reporting publicly on outcomes.

The consultation process

Access to the full consultation ‘Reforming Competition and Consumer Policy’ can be found [here](#). The consultation closes on 1st October after which the government has 12 weeks to respond with expected changes to be implemented in early 2022.

HOW WILL THE REFORMS AFFECT LENDERS?

The UK home improvement market is now worth an estimated £44 billion and is set to expand rapidly with the Government's focus on a green recovery - new targets to install 600,000 heat pumps every year by 2028.

This will undoubtedly lead to another spike in renewables growth, which is good news on the face of it, but look closer and this could quickly contribute to already increasing climate-related financial risks, disputes and section 75 / 56 claims with escalation to the Financial Ombudsman Service.

On the face of it, mandating ADR with retailers will help reduce claims, but will businesses pay the cost?

And, reducing the timeframe to access ADR from 8 weeks to 4 weeks, may encourage a higher volume of complaints at week 4 to the Financial Ombudsman service.

So, what is the solution?

Good ADR providers can achieve successful and quick resolution thereby preventing claims being made directly to lenders.

However, fees for Dispute Resolution can cost upwards of £800 and are traditionally charged at the point of dispute, 'post-event', with the financial burden falling on retailers.

Given the ongoing financial challenges caused by COVID-19, encouraging retailers to finance a dispute resolution service will be incredibly difficult if this approach and pricing model doesn't change.



One solution is to flip the current dispute resolution model to one that is 'pre-event' and enacted at the point of purchase. This approach would ensure that all consumers can access ADR services when needed.

This enables a provider to charge a nominal and fully inclusive price per installation. This is in line with government proposals that consumers could be charged a nominal price to deter frivolous or low value complaints.

Or, given £8.9k average contract values, a nominal cost could easily be absorbed within job margins which means this approach can be cash neutral for retailers.

As part of a 'pre-event' model, all installations would be registered with the ADR provider and consumers provided with a welcome email, guidance on how and who to contact to raise a dispute, and an online platform facility. This would lessen the volume of complaints going to lenders or the Financial Ombudsman Service at week 4.

QASSS RESPONSE TO THE CONSULTATION



QASSS provides industry-leading and award winning ADR services to home improvement and renewable energy companies. The government reforms are welcomed by us, but we would also add that the proposals could go further, including:

1. Improving resolution times

The industry standard for ADR bodies across all sectors is a staggering 80 days! We have demonstrated that through the use of technology, core knowledge in a sector, and by utilising experts with a similar mindset, the average dispute resolution times can be reduced to less than 4 days.

2. Better use of data, intelligence, and working with companies to help improve standards

At QASSS, we provide monthly management reporting, including root cause analysis to drive continuous improvement and work with companies directly to help reduce the number of complaints and disputes, whilst developing their processes to mitigate service and product risks. In return this reduces the cost of ADR.

3. Retaining a 3-tier approach to customer complaints

1. Company and consumer engage in general complaints process.
2. Complaint escalated to ADR services provider after 28 days, or earlier should deadlock be reached.
3. Dispute is only escalated to an Ombudsman if unresolved by the initial ADR provider.

From our experience, this staged approach is key to avoiding court proceedings. It creates a real escalation process for both consumers and businesses, which provides a feeling that the parties involved have been equally heard.

4. A new pricing model

As the majority of the cost burden falls on businesses, QASSS recommends a pricing model that involves a pre event product at a nominal unit cost with all-inclusive pricing per installation (usually less than £15 per installation).

QASSS MANAGING DIRECTOR, CIARAN HARKIN



This announcement of consumer policy reforms is a welcome one and something that many believe should have happened some time ago. The proposals set the foundations and challenge for the ADR landscape to really drive innovation that delivers better service for businesses and consumers.

We now potentially have the legislation to make ADR mandatory in the home improvement sector, which will save both businesses and consumers the time, stress and cost of going to court or, as many home improvements projects are financed on credit, making a section 75 claim against banks.

It's now up to the ADR providers and the Ombudsman to up their game and ensure we provide the best possible services to the home improvement industry.

We will be fully contributing to the consultation process with an eagerness to challenge the current ADR landscape in terms of performance and structure, and we are keen to work with stakeholders to ensure the landscape delivers fast and fair outcomes for both businesses and consumers.

As an Approved Body with Chartered Trading Standards Institute, we are well positioned to respond to any changes in legislation. Coupled with our deep knowledge and expertise across the home improvement sector, our services lead the market in terms of innovation, speed and value.

OUR ADR SERVICES AND HOW WE CAN HELP

ADR is what we are famous for. We are the only CTSI approved ADR provider with over 10 years' experience in the home improvement sector (all verticals including renewables).

Due to our industry-leading speed (our average dispute resolution time is less than 4 days), we move quickly to take complaints that are escalating and gain fair and reasonable resolutions that both parties can agree to, using mediation and conciliation.

Uniquely in the ADR space, we can also complete any remedial works needed via an independent approved contractor network.

Dispute Assist

Our innovative Dispute Assist product is the first ever 'pre-event' ADR solution, which gives retailers and their customers access to the QASSS award-winning service at a nominal price.

Plus, with Dispute Assist, companies get all-inclusive dispute resolution services – this includes all costs including mediation and conciliation, independent inspections, expert witnesses and Ombudsman access – so there are no surprise bills.

Why organisations are recommending

Dispute Assist

- ✓ Avoid costly litigation and compensation payouts
- ✓ Hassle-free and super quick service
- ✓ Cutting-edge interactive technology
- ✓ Fulfil legal obligations
- ✓ Preferential rates from lenders as dispute ratio reduces
- ✓ Add value to the sale and win new business
- ✓ Neutral cashflow impact
- ✓ Transparent pricing
- ✓ Increase brand reputation
- ✓ Trusted all-in-one dispute resolution

Click [here](#) to find out more about Dispute Assist.



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