

VBRA director general complains to OFT about insurer-motorist-repairer relations

Malcolm Tagg, Director General VBRA, has released a letter he wrote last week to the chief executive of the Office of Fair Trading in response to two items in its Annual Plan document, which impact on what Mr Tagg called "the sometimes uneasy relationship" between insurers and their customers (and hence the body repair community) when accidents occur and vehicles need to be repaired.

The complete letter is reproduced verbatim below:

Dear Mr Fingleton,

I was interested to read your Annual Plan document and especially interested in the following two items which impact on the sometimes uneasy relationship between insurers and their customers (and hence the body repair community) when accidents occur and vehicles need to be repaired.

Page 9 – "Consumer Behaviour – can consumers make rational choices free from coercion and deception?" and

Page 12 – Unfair Commercial Practices Directive (UCPD) bullet point 2..."it introduces a general prohibition on traders not to treat consumers unfairly... In particular, the directive will oblige businesses [not to] subject them (consumers) to aggressive commercial practices such as high pressure selling techniques

In the sectors in which VBRA operates these two items are inextricably linked and we feel there is detriment to some consumers in the actions of some Insurers.

As background please note that the VBRA is a trade association representing the interests of vehicle body repairers and, from a consumer standpoint, consumer interest too in so far as they interact with our members through the VBRA Code of Practice (which is recognised under the OFT Consumer Codes Approval Scheme).

My comments that follow are made in the following context:

1. Some of our members are themselves part of insurer DRP's
2. Insurers have a dominant position in the accident repair process as, perhaps inevitably, they fund in excess of 80% of accident repair work.
3. Many (most) insurers either directly, or through outsourced Accident Management Companies, operate approved repairer schemes, sometimes referred to, especially elsewhere in Europe and in the US, as DRP's (Direct Repair Programmes)
4. The first point of contact after an accident is usually between driver and insurer who immediately gains control of the claim at a time when, arguably, the customer is vulnerable, possibly confused, suggestible, angry and disadvantaged by lack of process knowledge
5. Insurers when first contacted by telephone insist callers listen to pre-recorded messages advising them among other things "the firm is regulated by the FSA, their call may be recorded, you must give full information etc..." significantly there is no recorded message stating there is any customer choice in where their vehicle is repaired

6. When a policyholder contacts his insurer for accident assistance and accepts their assurance that the car will be collected and redelivered, repaired – and is happy to accept this at face value – this represents good customer service and is of no detriment to the consumer

7. Our comments are made specifically in relation to instances where customers want to choose, or often have already chosen their own repairer and are effectively precluded from so doing

8. At senior level insurers agree it is the customers' choice as to where their vehicle is repaired; we have no reason to doubt their sincerity. This message seems to get significantly diluted before reaches call centre operatives to the extent it sometimes seems as though the operative may be penalised for allowing a vehicle to "escape" the network – such is the vigour with which they pursue the objective of steering the repair

9. The Association of British Insurers and the Financial Services Authority have both written to us confirming customer choice as a fundamental part of the insurer/customer relationship.

10. When we receive complaints of this nature it is usually via a member at the point a customer's vehicle is being removed from the motorist's chosen repairer to an insurer DRP. Motorists, universally, will not allow us to use their names and details in pursuing this issue with insurers as they feel, wrongly in our view, they will be victimised in this and future claims situations. That a supplier/customer relationship should generate a state of fear in this manner is deplorable.

Comments and Observations

At point of first contact all manner of coercive techniques are brought to bear; policyholders are not infrequently told that if they do not use the insurer appointed repairer:

- "You will not be provided with a courtesy vehicle". (This is usually provided at the repairers cost anyway and most workshops will provide a courtesy car if need be to direct customers)
- "Your repair will not be guaranteed". (The guarantee is provided by the repairer not the insurer. Under our code of practice our members provide a 2 year/24000 mile warranty on the repair, as a minimum)
- "Your repair will be delayed" (Vehicles are emotive items and the thought of delay may be coercion enough. It seems, though we have no proof, that delays may be artificially introduced into the system in this circumstance. There is no reason why the repair should not proceed and displaced parts be retained for inspection as the repair progresses – in practice many repairers will not wish to do this because they want the guarantee that their invoice will be settled and require the written go ahead from the insurer first)
- "Your policy requires you to follow our requirements". (There are only two policies in the UK that require the vehicle to be repaired where the insurer directs – Tesco and Zurich economy policies but this argument is apparently used with greater frequency than the occurrence of said policies. We have an issue with the fairness of this too but that is a separate argument)
- "Your chosen repairer is not/may not be qualified to do the repair" (We audit our members on their ability to handle certain categories of work. Some vehicle repairs do require additional equipment and training to achieve satisfactory repair. Responsibility for efficacy of the repair lies firmly with the repairer not the insurer. If there is any come back on a faulty repair it is not the insurer who pays to rectify it – it is the original repairer! This is a non argument)

- "You have no cover if you don't..." (Fortunately a rare comment but known to happen)

A customer must be resolute to fight their way through this barrage of challenges to their right to choose a repairer and inevitably some in the repair community lose out financially as a result and such customers only grudgingly co-operate with their insurer souring relations still further.

This issue may not be of direct concern to the OFT but on the basis that you state you are working closely with the DTI and TSS to implement the UCPD Directive I ask that you be particularly aware of these issues. Similarly if, as stated on page 9 one of the underlying tenets of whether or not the market is working well for consumers is the issue of customer behaviour, this too should be of concern.

As further background a number of US states, due to similar problems are currently considering the introduction of regulation to prevent coercion or steering of this nature and we and our equivalent associations in Denmark, Austria and Germany have recently provided information to our colleagues in France who are presenting similar issues to the EU competition authorities.

In summary then, what are we trying to achieve? Ultimately a fair deal for those consumers currently harassed into having their vehicles repaired by a workshop other than of their choosing.

How might this be achieved? As a first step, far short of regulation, an insistence that insurer's preamble messages to customers include a clear and concise consumer rights notice and their policy documentation, including motor certificates be clearly and prominently marked to the effect that "it is your vehicle and your choice of repairer". It must be made abundantly clear that the motorist has the choice and that insurers MUST allow this choice to be exercised.

Presently customers are being coerced, this is unfair and under the upcoming UCPD this must not be allowed to continue!

Problems? It could be argued that our comments and representations are anecdotal and not evidenced in writing – this is true for the reasons of feared reprisals stated above. We can obtain evidence from repairers who have lost business as a result of insurers unfair activities in this area but these would may doubt be regarded as "sour grapes". We can therefore offer no solid or formal evidence.

It would be most useful to have your views on this matter.

Thank you for your time.

Yours sincerely

Malcolm Tagg FCII MIMI

Director General VBRA

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