

**DERBYSHIRE COUNTY COUNCIL****MEETING WITH CABINET MEMBER, HEALTH AND COMMUNITIES****14 April 2015****Report of the Strategic Director, Health and Communities****IMPROVING STANDARDS OF TRADING WITHIN THE  
SECOND-HAND MOTOR CAR SECTOR****1. Purpose of the report:**

To inform the Cabinet Member, Health and Communities of the recommendations of a Government Commission on Used Cars and action taken by the Trading Standards Division to improve standards of trading within the local second-hand car sector.

**2. Information and analysis:**

- 2.1 As has previously been reported, complaints about second-hand cars regularly top the list of things that the public complain about to Citizens Advice (CA)<sup>1</sup>. The Automobile Association estimates that 750,000 consumers a year face unresolved problems with a used car purchase. In the most recently published national figures, CA helped with over 84,000 problems with second-hand cars over a 12 month period. It was estimated that the value of the cars that consumers were not satisfied with amounted to some £362 million. An analysis of 2,519 complaints about second-hand cars, made to the Citizens Advice Consumer Service (CACS) in the first 2 weeks of September 2013 found that 83% were about faults, of which:

- more than half (53%) developed faults within a month of buying the car;
- 4 out of 5 cars required essential repairs; and
- 139 cars were worthy of the scrap heap.

- 2.2 In November 2013 the Department of Business Innovation and Skills (BIS) launched a Used Car Commission to investigate problems within the used car industry<sup>2</sup>. The Commission, which was led by the Chief Executive of the Trading Standards Institute and included representatives of the motor industry as well as government and consumer groups, reported its finding in October 2014<sup>3</sup>. Whilst the Commission found that the industry generally works well for consumers, it identified some areas for improvement. The key recommendations of the Commission are as follows:

---

<sup>1</sup> [http://www.citizensadvice.org.uk/index/pressoffice/press\\_index/press\\_20131104.htm](http://www.citizensadvice.org.uk/index/pressoffice/press_index/press_20131104.htm)

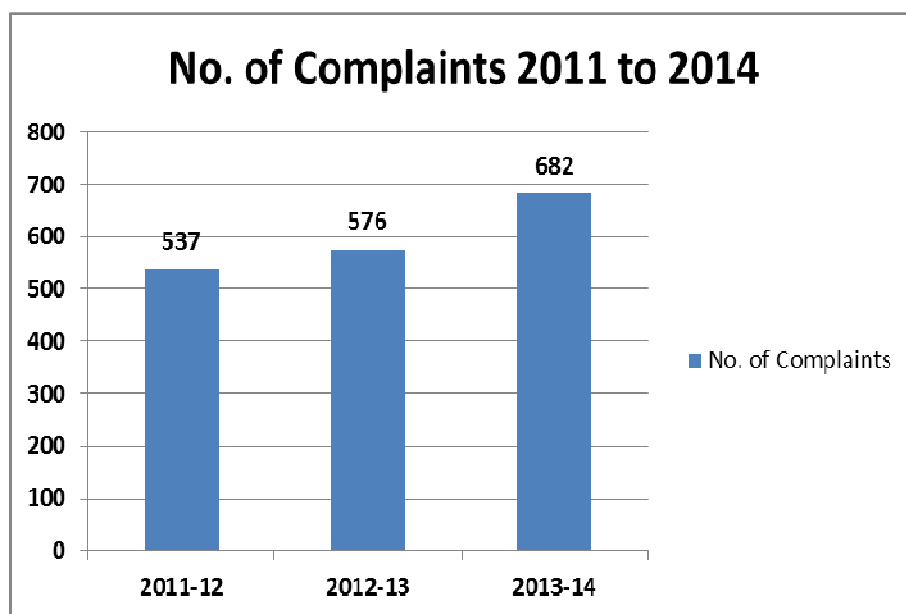
<sup>2</sup> <http://www.tradingstandards.gov.uk/policy/Usedcarcommission.cfm>

<sup>3</sup> <https://www.gov.uk/government/news/new-approach-to-give-second-hand-car-buyers-a-better-deal>

- Closer cooperation between the Police and Trading Standards to target organised criminals who steal vehicles for export, clone them or break them up for parts.
- The development of a minimum set of requirements for used car codes and trader approval schemes to ensure consumers are better protected and improve customer services.
- A focus on information gathering on used cars so current and emerging issues can be quickly identified and acted on by police forces and Trading Standards.

2.3 Consumers seeking advice about faulty second-hand cars, or indeed any other type of unsatisfactory goods or services, have been directed to the national Citizens Advice Consumer Service (CACS) help-line (formerly Consumer Direct) since 2005. Any complaint involving a Derbyshire trader is notified to the Trading Standards Division and any complaint involving a vulnerable consumer or a customer of a Derbyshire Trusted Trader are referred for further consideration as appropriate. Reflecting the national trend there has been a steady increase in complaints about second-hand cars in recent years as shown in the table below.

**Table showing complaints about used cars bought from Derbyshire Traders Pre-Survey**



2.4 The Division regularly reviews those businesses generating the most complaints and in March 2014 wrote to 183 Derbyshire Used Car Dealers offering advice and information on how to comply with trading standards legislation and where to go for additional advice. Recipients were asked to complete a short survey seeking further information about the type of complaints they received and whether there were any particular areas of advice that their business would benefit from.

- 2.5 The vast majority of car traders that responded indicated that they were either very confident that they were fully aware (54%) of the relevant laws when dealing with consumer complaints or fairly confident (36%). In terms of the type of enquiries and where they would like further advice:

The main customer issues that local car traders get complaints/queries about are:

- Warranties
- Distance sales/Online sales
- Faults/Electrical faults

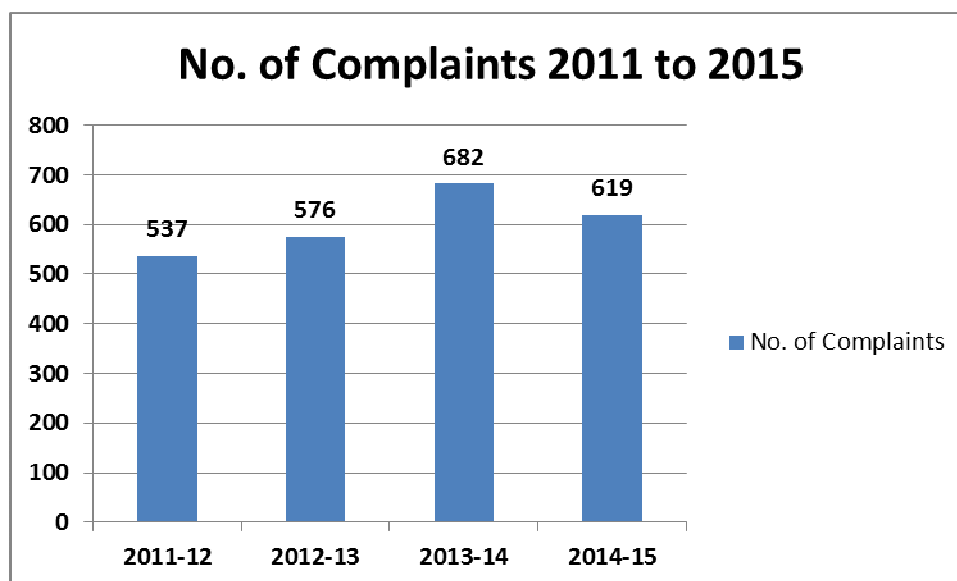
Further advice was requested about:

- Aftersales/warranties
- Distance sales when faults occur
- Faults
- Minor faults
- Wear and tear issues

- 2.6 In addition to the letter of advice those businesses generating the most complaints were also visited to discuss how standards of trading could be improved and complaints reduced. Most of the traders that were visited were glad of the visit and found it beneficial. Details of complaints received about their business were discussed and the trader was able to talk through with an officer what they had done for the consumer in trying to resolve the issue. This was beneficial as it showed the trader that the Division was impartial and wanted to hear both sides of the story. In many cases the complaint had been resolved. This highlighted the importance of talking to traders as it was appreciated that consumers do not report back to trading standards or CACS as to whether or not their complaint has been resolved. A few traders were not aware that they could ring up for advice directly to the Division if they had a problem with a consumer and were unsure of what their obligations were. This gave the trader reassurance that trading standards gives support and guidance in resolving any issues. Businesses were also encouraged to join Derbyshire Trusted Trader and many appeared positive about joining the Scheme.

- 2.7 Following the project, an examination of complaint levels from Derbyshire consumers about second-hand cars reveals that the total for 2014-15 has fallen from 682 in 2013-14 to 619 for the current year (see table below). A more detailed analysis of the complaints about the 183 Derbyshire based Used Car Dealers who received the letter from Trading Standards reveals that during 2013-14 we received 624 complaints whereas in 2014-15 this figure had fallen to 445 following our intervention. (The table below includes complaints about private sales of cars and about non-Derbyshire traders). One interesting finding was that there is a significant turnover of businesses operating in this sector. During the 12 months of the project, it was ascertained that 37 of the 183 traders written to had gone out of business. However, an additional 39 second-hand car traders appear to have started business during the same period.

**Table showing complaints about used cars bought from Derbyshire Traders Post-Survey**



- 2.8 The reason for businesses closing are likely to be varied, but could be connected with the close scrutiny by the Division of poor performing businesses. In recent years 4 second-hand car dealers have been prosecuted for selling unroadworthy vehicles and another 2 car dealers face prosecution. In addition 13 traders have been or remain the subject of an Enterprise action. The Enterprise Act gives the authority additional powers to require a business to improve its standards of trading and to reduce the number of complaints. Failure to respond can lead to a legal process requiring the business to make an 'Undertaking' to the Court to improve. Failure to comply with the Undertaking thus rendering the business to be in contempt of court.
- 2.9 The Trading Standards Division has tried to quantify the saving to the public arising from the work undertaken. Excluding complaints about the car dealers who have subsequently closed, the number of complaints fell from 542 in 2013-14 to 431 for 2014-15 (adjusted to end of March 2015). This equates to a fall of 111 or 20.5%. From our records we know that the average cash amount for each car sale complained about was £4,435 and therefore the total value of cars complained about was reduced from £2.7 m in 2013-14 to £1.9 m in 2014-15.
- 2.10 In terms of consumer detriment, the Office of Fair Trading (OFT - formerly part of the Department of Business Innovation and Skills) has carried out research which indicated that the typical consumer detriment as a consequence of the sale of unsatisfactory goods is 10% of the value of the goods involved. For the second-hand cars sold in Derbyshire this works out at £444. Thus as a direct result of the reduction in complaints about second-hand cars, the savings in terms of consumer detriment is equivalent to £49,000. The OFT also calculate that typically only one in 14 consumers actually make a complaint about unsatisfactory goods and services. If this is taken into consideration, then the

total potential reduction in consumer detriment as a result of Trading Standards intervention equates to £690,000.

- 2.11 An important consideration of the project was to encourage local car dealers to join the Derbyshire Trusted Trader Scheme. Prior to the start of the project some 9 local traders were members of the scheme. 15 of those that responded to the survey indicated that they were interested in joining the scheme, but only 1 had followed this up at the time. With a more concerted promotion of the scheme an additional five members have joined or said that they will join. The Division will continue to work with the local second-hand car trade in an attempt to reduce the number of complaints about used cars which will thus reduce the amount of consumer detriment and ensure that those businesses committed to providing a good service for a fair price can compete on a fair basis.

**3. Other considerations:**

In preparing this report the relevance of the following factors has been considered; legal, financial, prevention of crime and disorder, equality of opportunity; and environmental, health, human resources, property and transport considerations.

**4. Background papers:**

CabCo Report 11 February 2014: Consumer Advice when buying a second-hand car: [http://www.derbyshire.gov.uk/images/item%203b\\_tcm44-240821.pdf](http://www.derbyshire.gov.uk/images/item%203b_tcm44-240821.pdf)

**5. Key Decision:**

No

**6. Call-in:**

Is it required that call-in be waived for any decision on this report?  
No

**7. Officer's Recommendation:**

That the Cabinet Member, Health and Communities notes the report and the reduction in consumer detriment arising from the work of the Trading Standards Division.

**David Lowe**  
**Strategic Director**  
**Health and Communities**

## **Appendix – Top Tips and Consumer Rights when buying a second-hand car**

### **Top tips for buying a used car**

- Check MOT certificate – indicates if car is roadworthy
- Check service history – shows if car has been maintained
- Check V5 registration document – shows if car is stolen
- Check if car is a write off – helps you know what you are buying
- Check finance history – ensures car doesn't have an outstanding hire purchase agreement
- Test drive and walk around check – for signs the car isn't what it seems
- Get engineer's check – shows condition of car and any hidden dangers
- Check price value guide – indicates reasonable price to pay
- Check car is not recalled – shows if car was recalled for safety reasons by manufacturer

### **Your rights when buying a second hand car**

If you bought the car from a dealer, the car must:

- Match its description. This means it must be as described by the seller. This includes any written description in an advertisement or catalogue.
- Be of satisfactory quality. This means the car must be in reasonable condition, considering its age and make, its past history and the price paid.
- Be fit for its purpose. If you request a vehicle which is capable of towing a large caravan, it must be capable of doing the job.
- Be roadworthy. It is a criminal offence to sell an unroadworthy car. A car is not roadworthy if its brakes, tyres, steering, or construction make it unfit for the road. Even if the car has an MOT certificate, this doesn't necessarily mean that it is roadworthy.

If you have a problem with a second hand car, you can get help from the Citizens Advice consumer service on 08454 04 05 06 or visit [www.adviceguide.org.uk](http://www.adviceguide.org.uk)