

Kingsley Law Ltd response to the Notice of Possible Remedies

Please find below our comments. Apologies for the delay, but we hope these will be of use.

“claimants experience detriment from cars not having been repaired to the legal standard.”

“(Insurer repair audits) do not in themselves ensure that repairs are carried out to the legal standard.”

The Commission has published a “Notice of Possible Remedies”, and suggests what is effectively a structured programme of post repair inspections (Para 75 – 77). We believe that such a programme would be impractical, ineffective and extremely expensive.

This remedy is impractical because it is totally unsuited to a consumer-oriented conversion process carried out by a large number of dispersed and relatively small production units. To be effective customers would have to be persuaded to return their repaired car to the bodyshop (or ideally an alternative site) for a proper inspection. We would anticipate strong resistance from customers because of the inconvenience caused. Indeed, the remedy itself could be considered detrimental to consumers and cause undue concern.

We believe it would be ineffective because by the time the repair is completed it is very difficult to determine how the damaged area has been repaired – whether with body filler, replacement with a second-quality (non-oe) substitute or the authorised manufacturer’s (oe) part.

Lastly we believe that any post repair inspection programme would have to be independent (and how do you guarantee independence?) and prohibitively expensive. Who would be responsible for picking up the cost of the inspecting engineer’s assessment and report, and who would pay for the customer’s replacement vehicle while the inspection is carried out?

We agree with the Commission’s findings concerning repair quality, in that:

- Insurers do not appear to be able to demonstrate adequate supervision or control of repair process.
- We would not argue with the proposition that insurers have a moral (if not legal) obligation to ensure the quality of work carried out by “approved” bodyshops.
- We doubt that many bodyshops have any proper understanding of how a proper quality system should be implemented. In too many shops quality is little more than a paper chase and a row of lever arch files on a dusty shelf.
- There is a dearth of independent auditable evidence of work carried out on specific repairs. We would not consider that “methods” or other process descriptions downloaded from a database are sufficient for this purpose. Customer signed satisfaction/completion notes are an industry joke.

We would add that development of our own “Partsave” direct parts procurement service has provided anecdotal but independent evidence of the extent of parts fraud in the repair industry. Bought-in replacement parts amount to over 40% of repair cost and in excess of £1.5 bn per annum. We calculate the scale of non-oe or repair substitution for oe specified and invoiced parts to be at least £150m and could exceed £250m per annum. This is a fraud committed against the insurer and ultimately the policyholder.

We consider that some form of direct parts procurement programme would significantly reduce the incidence of parts fraud, as well as providing the independent documentary evidence required for a proper quality system.

Lastly we would suggest that the Commission consider the underlying cause of poor repair quality and parts fraud. Commercial logic would dictate that quality of service marches in step with cost.

For many years repair pricing/costs have been vigorously suppressed in response to the hyper-competitive nature of the motor insurance business. Indeed it is doubtful whether an acceptable quality of service can be reliably delivered under the cost constraints currently imposed by some repair contracts.

The imposition of "fixed pricing/average repair cost" regimes for all repairs is not conducive to quality work.

In view of the power of motor insurers over the repair industry, should standard repair pricing guidelines be established in the same way that the ABI GTA sets out daily rates for credit hire claims? This would at least have the merit of removing repair cost/quality from the inter-insurer competitive arena, and can only be of benefit to the consumer.

This exercise could be conducted without difficulty and at comparatively low cost by any competent firm of accountants. The issue is quite simply what hourly labour rates are necessary for a viable bodyshop to achieve an acceptable repair quality and finance any additional service elements (e.g. estimating costs, courtesy cars, free collection/delivery, valeting)? Any such review should include an examination of the divergence between Audatex labour time allowances and the TTS times established by the insurer funded Thatcham Research Centre.