

Bang to rights?

Earlier this month, our columnist John Whitmore opened his postbag to find a pile of letters from readers complaining about the accident repair and car insurance industries. Shaun O'Reilly, a campaigner for the body repair industry, responds to some of the criticisms

Sir John Whitmore is quite right to raise the issue of accident repairs and the widespread dissatisfaction with motor insurers (*Motoring*, August 6). Actually, your readers have barely touched the underlying causes of these issues in their responses.

Bric is a campaign group working towards rectifying the car-accident repair market, which neither satisfies consumers nor allows repairers adequate returns. The system does, however, meet the needs of some insurers very nicely, thank you.

This is not just a case of a few bad apples (insurers or repairers) spoiling the barrel; the entire market is now in a dreadful condition and not working in consumers' interests. We think it is dysfunctional.

Fundamentally, the accident-repair market is not "free", where consumers can choose the repairer they want. About 75 per cent of all repairs following car accidents are controlled by insurers through their call centres. They send policyholders' cars for repairs to networks of "approved" garages that they have selected. This enables insurers to dictate the level, quality and cost of service to be provided to their own customers. This is the hidden price consumers pay for their competitive insurance quotes. In addition, services offered by insurers (such as courtesy cars) have most often to be provided free of charge by the repair trade as a condition of being on a network.

Consumers might think that insurance company "approval" means that repair shops have the correct skills and equipment to undertake proper and safe repairs. While it is true that repairers have to get the right tick in the box before selection, little of that information pertains to their technical skills and equipment. This is simply not good enough in a world where cars and repair equipment are becoming ever more complex.

Insurance companies also direct customers into their own approved networks by steering claimants clear of body shops outside their own networks. Your readers will doubtless be familiar with the

phrases used to persuade car owners to allow the insurer to do this: "The garage is not approved", "the garage may not offer a courtesy car", "it will take longer". Last month we learned of one insurer who had claimed it was in dispute with a repairer, implying that the consumer should not use that garage because of a quality issue. In fact, the repairer was suing the insurer for its failure to pay for previous work.

The demands imposed on repairers are severe: free courtesy car, free valet and free collection and delivery within, in some cases, up to 40 miles. Labour rates are as much as two thirds lower than those charged for servicing of cars in the open market. On top of that, insurers demand large discounts from repairers and it takes on average 47 days before bills are settled.

To cap it all, many estimating systems mandated by insurers on their repairer "partners" are seen as suspect, often with questionable data and in some cases failing even to provide estimators with what exactly is included in a quote. No crash-repair estimating system in the UK market today has passed an independent audit.

The whole essence of the insurance "approval" system is one that seeks to minimise costs to insurers, not to maintain quality, safety and integrity of repairs, or value for money for customers.

Take the issue of cosmetic repairs raised by your readers. There is no excuse for any repairer to charge excessively for cosmetic repairs, but the system does sometimes lead to this. If you, as a repairer, have been told to collect a car on a transporter and find that, once it is back in your workshop, all the car requires is a cosmetic repair of £50, what do you do? Do you call in a cosmetic repairer to do the job and get nothing for your efforts in getting the car to the workshop and assessing the damage? It is a problem that could so easily be solved if repairers were rewarded for collection, delivery and assessment. Insurers, however, will not consider this and their customers are missing out. It is also important to point out the difference between a mobile cosmetic repairer who applies undoubted skills and a few special



Sprayer for owing meanie: specialist bodysshops need expensive equipment but they aren't making any money. Shaun O'Reilly blames insurers

'The system seeks to minimise costs to insurers, not to maintain safety'

tools to the job and a fully equipped body repair workshop. In reality, comparing the work undertaken by cosmetic specialists and car accident repairers is like comparing apples and pears; perhaps the difference is less than clear to consumers.

We have published research showing that barely 20 per cent of all UK repairers are equipped with the right welding equipment for Ultra High Strength Steels, which have been used on new cars since 2002. Failure to use the right equipment results in a convincing-looking but unsafe weld, yet our inquiries turned up only a handful of insurers who have bothered to find out if their "approved" repairers are so equipped.

Yes, you can certainly blame the garage for its failure to have the right equipment, but it is fair to

point out that the continual pressure on prices, costs and output from insurers means most repairers are in "survival mode" with new kit the last thing on their minds. In a recent survey of 1,000 UK car body repairers, their average return on sales, after tax, is 0.6 per cent. This return does not allow reinvestment in new equipment.

Readers are absolutely right to point out the fraud that takes place in this industry, but we question if this is so widespread. The advantages of fitting "non-genuine" parts are not quite so clear-cut as some make out. These usually take longer to source and fit and labour is usually the biggest cost in this industry. Besides, it's often insurers themselves who specify that "non-genuine" replacement parts should be fitted to cars more than three years old. Policyholders should read the small print that allows them to do this.

Sir John is also correct to advise readers to go to the right type of cosmetic repairer for those little dents, but bear in mind that they cannot deal with crash repairs where metal has to be cut away and pulled, new panels introduced, radiators replaced and steering

geometry realigned. These are the areas that can only be tackled by car body repairers. Both sorts of specialist are needed.

Bric deplores improper and fraudulent behaviour by garages. Sadly we can't see that problem getting much better quickly, as working with trade associations and taking on the damaging practices of the insurance companies is seen as an impossible task by most repairers and very damaging to their businesses.

And the trade associations are hardly blameless, since they have utterly failed either to support their own membership or to police the market. They see members more as a source of revenue than businesses they should represent. One trade association even persuaded an insurer to require membership for repairers on its network, yet its standards continued to fall.

And into this unholy mess we have the Office of Fair Trading (OFT), with its voluntary codes of conduct complete with OFT stickers. We wonder what good this will do in an industry where consumers have virtually no say in who does their repairs and cowboys don't join voluntary schemes: this

OFT initiative is a charade.

More realistic is the recent report from the National Consumer Council that at least raises the debate about how the dynamics of the car body repair market could be improved. The key is the involvement of motor insurers and until they come into the debate, so their own role can be better understood, nothing much is going to improve. Certainly, the public is entitled to see insurers take a lead with good behaviour rather than continue with piratical cost cutting.

You are quite wrong, however, to suggest that the knock-for-knock agreements between insurers have any effect on the market. This arrangement was terminated over a decade ago and replaced with the Memorandum of Understanding. We requested a copy from the Association of British Insurers last month, but we are told it is not available and "under review". Clearly, behind the scenes, changes are taking place, yet the consumer appears not to be represented in the debate.

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