

Extended warranties on domestic electrical goods

July 2002

A report on an OFT investigation

FOREWORD

This report presents the key findings from our review of the market for extended warranties on domestic electrical goods, which was conducted under section 2 of the Fair Trading Act 1973.

We investigated this market on two previous occasions but decided to revisit it in part because of the results of a mystery shopping exercise conducted in 2001. This demonstrated that the British Retail Consortium Code of Practice, put in place as a result of the OFT's 1994 investigation, had not achieved the results that had been hoped for. We remained concerned that competition in the market was not working effectively and that consumers were not adequately informed or otherwise protected.

So we conducted this review. It supports the view that there are serious questions about the workings of competition in the market, with consequences for consumers. I have therefore decided to refer the supply of extended warranties to the Competition Commission.

It is now for the Competition Commission to investigate further. It would not be appropriate for this report to contain recommendations on hypothetical remedies. We have sought only to provide a summary of our main findings and concerns. It will be for the Competition Commission to conduct its own further investigation and to decide what action – if any – is called for in the light of its findings.

John Vickers
Director General of Fair Trading
July 2002

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Report on the survey of independent repairers

Report on the consumer survey about extended warranties

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1 INTRODUCTION AND SUMMARY

1.1 This report presents the findings of the Office of Fair Trading's (OFT) investigation into the market for extended warranties on domestic electrical goods in the UK, and explains why the Director General of Fair Trading (DGFT) has decided to refer the market to the Competition Commission (CC)¹.

1.2 In summary, our research has identified the following areas of concern:

The similar behaviour of electrical retailers limits consumers' ability to make accurate assessments of the value of buying extended warranties

- The sales tactics of retailers appear to exploit both the limited nature of consumer information, and an imbalance in the information available to the retailer and to the consumer on electrical product reliability.
- Moreover extended warranty pricing appears not to be cost reflective. For example, a standard fee is typically charged for extended warranties for goods of the same general type within the same broad price banding despite differing failure rates of electrical goods.

A lack of effective competition in the extended warranty market

- Electrical retailers' point of sale advantage presents a significant barrier to alternative suppliers wishing to enter the market, thereby limiting consumer choice.
- Based on the low claims ratio for extended warranty products, we have reason to believe extended warranties may be typically sold at considerable profit.
- Extended warranties represent a secondary market, being bought as an additional purchase to an electrical good, with consumers typically not planning to buy or shopping around for extended warranties – thus these expensive purchases are, in many cases, literally an afterthought.

Consumers are largely unaware of their options regarding where they can buy extended warranties

- Many consumers are unaware that extended warranties can be bought from a number of sources, not just electrical retailers.

¹ Section 50 of the Fair Trading Act 1973 provides that where it appears to the DGFT that a monopoly situation exists or may exist in relation to the supply of goods or services of any description, he may, if he thinks fit, make a monopoly reference to the CC with respect to the existence or possible existence of such a monopoly situation. The reference will require the CC to investigate and report on various matters, as set out in section 49.

- Our research shows that independent electrical repairers provide a good alternative to purchasing an extended warranty. Regarding repairs, our consumer survey revealed similar levels of overall satisfaction amongst consumers using independent repairers (85 per cent), manufacturers' guarantees (84 per cent), and extended warranties (85 per cent).

Consumer protection in this market is inadequate

- Vulnerable consumers in particular can be susceptible to sales pressure and it seems that consumers are not effectively protected against unfair behaviour.
- Certain contracts, notably those relating to 'cash back' extended warranties may contain potentially unfair terms and conditions, imposing unrealistic requirements on consumers.
- The British Retail Consortium Code of Practice does not seem to be working, and there is no comprehensive regulatory framework governing both extended warranties and service agreements.
- There is no legislation specifically applicable to the sale of extended warranties, and forthcoming consumer legislation may not significantly improve the position of consumers in this area.

1.3 Based on these findings, our hypothesis is, therefore, that there is insufficient competition and information to ensure that consumers get good value, and that many electrical retailers may make considerable profits on the sale of extended warranties.

1.4 We believe that the extensive powers available to the Secretary of State following adverse findings from a CC investigation and report – in particular, the power to make orders by statutory instrument, which enables the implementation of remedies on an industry-wide basis, but which is not exercisable following an OFT report alone – potentially provide the best means of making this market work better for consumers. Without prejudging the CC's investigation and report in any way, it is our hope the making of this reference will ultimately lead to improved competition and consumer choice and so better value for money.

1.5 Accordingly, this paper deals solely with our findings to date and the reasons for referring the market to the CC and does not speculate about remedies. It will be for the CC to decide what action – if any – should be recommended to the Secretary of State to take forward.

2 BACKGROUND AND METHODOLOGY

- 2.1 This market investigation was announced on 3 October 2001 and is the first to be completed by the OFT's Markets and Policy Initiatives Division. It is the first time that the OFT has formally investigated consumer and competition issues together as one under section 2 of the Fair Trading Act 1973.
- 2.2 In a previous but narrower investigation undertaken in 1994, which concentrated on consumer issues (other than competition), the then DGFT expressed surprise over the apparent lack of competition in the industry. The main outcome of that investigation was a code of practice for selling extended warranties sponsored by the British Retail Consortium (BRC). A review of progress in 1996 following the implementation of the code of practice found only a limited response by retailers, and the DGFT promised more effective action if substantial improvements were not seen when the code was reviewed after its first year in operation.
- 2.3 The OFT continued to monitor the code of practice (by means of annual BRC monitoring reports) and, in May 2001, commissioned a mystery shopping survey to assess compliance with the code. This exercise was partly prompted by concerns about the poor quality of the BRC monitoring information. The findings of the survey, which involved mystery shopping visits to 1000 retail outlets, demonstrated poor compliance. The BRC subsequently indicated that it would not be applying for recognition of their code under the OFT's new codes of practice regime.
- 2.4 The current investigation involved consultation with:
- 18 electrical retailers
 - 16 manufacturers of electrical goods
 - 10 insurance companies
 - five trade associations
 - eight overseas competition and consumer organisations, and
 - 11 other organisations and government bodies with an interest in the extended warranties market.
- 2.5 We also conducted surveys of over 2,000 consumers and 1,000 independent electrical repairers. In-house analysis of the market was supported by two externally commissioned research studies on the markets for electrical goods and extended warranties.
- 2.6 This investigation did not seek to question the underlying rationale for extended warranties as a whole. We recognise that many consumers value the reassurance that they can bring. Our objective was to examine whether the market is working well for consumers. As such the investigation sought:

- evidence of competition for retailer and manufacturer business from insurers, and between retailers, insurers and manufacturers for consumer business
- evidence on barriers to entry
- data on electrical goods' reliability, claims frequency, costs per claim against extended warranties, and alternative sources of repair
- information on regulatory frameworks: current, planned, and overseas
- information on sales practices
- information on consumer awareness of extended warranty products and purchasing behaviour, and
- information on the availability, comprehensiveness and clarity of consumer literature.

2.7 This investigation relied on information supplied on a voluntary basis. To have obtained additional data from respondents and demanded responses from firms that were unwilling to inform this investigation would have required the use of the information gathering powers contained in section 44 of the Fair Trading Act 1973. This enables the OFT to require the production of specified documents and information to assist us in determining whether to make a reference. In this case, however, we considered that, since the information provided voluntarily gave us sufficient evidence to justify making a reference, the use of section 44 powers was unnecessary.

3 THE MARKET

- 3.1 Extended warranties are contracts that provide consumers with protection in the event of problems developing with goods within a specified period, usually after the one-year manufacturer's guarantee has expired. Typically, extended warranties cover repair and/or replacement, but may also include protection against accidental damage or insurance against theft. The period covered by the extended warranty is usually four years beyond the manufacturer's guarantee, so that goods are protected for up to five years in total from the date of purchase.
- 3.2 The extended warranty market on domestic electrical goods in the UK encompasses two broadly similar products: contracts underwritten by insurance companies and service agreements (where the service provider is typically the retailer). In practical terms the products are largely indistinguishable in their specification and in the way in which they are sold. The important differences, however, relate to the regulation of the providers and resultant protection of consumers [see paragraphs 4.57 to 4.62]. Nonetheless, because of their substitutability, both product types belong to the same market, and the term 'extended warranties' will be used to refer to both products, unless otherwise stated.
- 3.3 Though it has not been possible to ascertain its precise value, the market for extended warranties is worth well over £500 million per year. During this investigation we sought financial information from electrical retailers, manufacturers, and insurers. However, responses were patchy and a number of key firms failed to respond. Of those firms that did co-operate, several did not provide information on the value of their extended warranty sales. Research commissioned into the electrical retail and extended warranty markets also failed to provide comprehensive data on the size of this market.
- 3.4 The market is led primarily by the large multiple retailers, which also have a significant share of the electrical goods market. In 2000 Dixons Stores Group had an estimated share of the total supply of electrical goods of 31.9 per cent, and Comet Group had 7.7 per cent². We estimate that they may have an even larger share of sales of extended warranties on electrical goods.
- 3.5 The rest of the market is fragmented. Other companies fall into the three main categories: smaller chains, insurance companies, and large department stores. Insurance company sales are mainly through electrical retailers, a commission being paid to retailers on their sales. Direct sale by insurers and manufacturers is limited.

² Research into Electrical, Electrical Warranties and Personal Computer Markets, Mintel 2002.

4 FINDINGS

- 4.1 Our findings can be summarised in terms of the following observations: Most consumers do not plan in advance to buy extended warranties and have limited awareness of where they can be obtained. Most are bought at electrical retailers at the same time as electrical goods and, typically, retail staff are incentivised to sell them. Some retail staff are felt to apply pressure to consumers to buy them. Consumers have little effective choice and limited information when they make the decision to buy. Our hypothesis is that, as a result, there is insufficient competition and information to ensure that consumers get good value, and that many electrical retailers may make considerable profits on the sale of extended warranties.
- 4.2 We stress that this is a **hypothesis** – though in our view a reasonable one to pose on the evidence available. Our investigation has been empirical, but necessarily preliminary. We have used information provided solely on a voluntary basis, and some suppliers have been less co-operative with this inquiry than others. The CC has strong powers to obtain information, and will be able to conduct a full investigation. Our summary hypothesis above might be rejected upon that investigation. Or it might be that the CC concludes that the market is indeed not working well for consumers, and moreover proposes remedies to help the market work better. That is of course a matter for the CC.
- 4.3 This chapter details the key findings of our investigation, and explains why the competitive process does not appear to be working effectively and the implications for consumers. It examines five areas:
- the extent to which there is similar behaviour by electrical retailers
 - competition between extended warranty suppliers and whether there are any barriers to entry
 - the impact of this market on independent electrical repairers
 - alternatives for consumers, and
 - the current level of consumer protection and proposed changes.

Similar behaviour by electrical retailers

SIMILAR SALES TACTICS ACROSS ELECTRICAL RETAILERS

- 4.4 As few people actively seek to buy extended warranties, the influence of the salesperson is critical. Our mystery shopping exercise revealed that 7.4 per cent of consumers felt retailer sales staff put them under pressure to take out an extended warranty. Given that the mystery shopping study represents only **pre-sale** experiences, this figure is sufficiently high to give cause for concern.

- 4.5 In our consumer survey, overall 9 per cent of people felt retail staff put them under pressure to buy extended warranties. In those cases where extended warranties were discussed, bought, or otherwise mentioned by retail sale staff, this figure rose to 15 per cent. Figures for specific outlets are not reported, partly because of small base sizes, but also because of the effect of the range of products sold, which influences the likelihood of extended warranties being bought or discussed. The incidence of store staff encouraging (as opposed to pressurising) consumers to purchase extended warranties was greater still – 33 per cent overall. Again, in those cases where extended warranties were discussed, bought, or otherwise mentioned by retail sales staff, the results were higher with nearly 60 per cent of consumers reporting that sales staff suggested it was a good idea, or otherwise encouraged them to buy an extended warranty.
- 4.6 Commission on sales of extended warranties provides an incentive to sales staff. Whilst some retailers argue that staff commission rates are low and do not encourage pressure selling, others disagree. One insurer noted that at point of sale the retail salesperson:
- is targeted on warranty sales and because of high commission payments they make this their focus.
- 4.7 Evidence that selling methods are effective can be found in our consumer survey. This showed that of those who bought an extended warranty with a washing machine, 41 per cent of people had not anticipated buying an extended warranty before arriving in the store. For refrigerators this figure is 57 per cent.
- 4.8 The other key factor relating to the purchase of an extended warranty is the electrical good itself. Our consumer survey revealed that consumers are more likely to buy extended warranties for certain appliances. For example, of those surveyed that bought extended warranties at the same time as an appliance, 35 per cent did so when buying a combined washer dryer, but only eight per cent did so when buying a games console.
- 4.9 Furthermore, our consumer survey results showed that, of those buying extended warranties, four per cent did so because they felt it to be a ‘good idea’ and 37 per cent did so for ‘peace of mind’.
- 4.10 The sales tactics of retailers appear to exploit both the limited nature of consumer information and an imbalance in the information available to the retailer and to the consumer. During the sales process, some retailers stress to customers the risk of product failure and the peace of mind extended warranties can provide (ie, ease of having a repair carried out and security against possibly expensive repairs) [see paragraphs 4.45 and 4.46, and 4.48 to 4.53]. (But, pre-purchase they appear not to indicate any differences in the reliability of different brands and models of electrical goods.) This appears to be a particular issue in light of our consumer survey. This revealed that, regarding ease of arranging repair satisfaction was slightly higher

amongst those using independent repairers (88 per cent) than with extended warranties (79 per cent). Further, overall satisfaction with independent repairs is as high as under extended warranties: 85 per cent for independent repairs, 84 per cent for manufacturers' warranties, and 85 per cent for extended warranties.

INFORMATION INADEQUACIES: LIMITED DATA ON PRODUCT RELIABILITY AND REPAIR COSTS

- 4.11 On the whole consumer leaflets appear clear and comprehensible and are written in plain English. However, we do not believe that participants in this market provide consumers with enough information to assess realistically or accurately the benefits of buying an extended warranty from a retailer compared to alternatives – such as relying on independent repairers.
- 4.12 Data provided by respondents displayed the considerable variation in electrical goods reliability between different manufacturers' brands. For washing machines, for example, this information suggests that those brands with much lower failure rates should have correspondingly lower priced extended warranties than extended warranties on models with much higher failure rates. This does not happen.
- 4.13 Both retailers and manufacturers have stated that extended warranty pricing does not reflect the actual risk of failure of individual makes and models, which varies considerably. Instead a standard fee is typically charged for extended warranties on goods of a particular type within the same price banding. This is one indication that extended warranties are not cost-reflective. Another is provided by data supplied in confidence on average repair costs.
- 4.14 In the case of both washing machines and televisions there is a direct correlation between product reliability and repair cost – those less costly to repair being most likely to go wrong.
- 4.15 Neither product reliability data nor repair costs are readily available to the consumer, making it extremely difficult for them to make realistic assessments of the value of an extended warranty. The evidence suggests that retailers may also emphasise 'problems' and disadvantages for consumers arranging their own repairs that are not evident from our surveys of consumers and independent repairers. By failing to provide sufficient information on electrical goods, extended warranty providers limit consumers' ability to make informed purchasing decisions.
- 4.16 Adequacy of information available to consumers is a precondition for a competitive market. Both an inadequacy of information and an imbalance in the information available to suppliers and to consumers can impede the competitive process and the ability of consumers more generally to make informed choices. Where consumers are well informed, retailers then have the incentive to provide goods and services that consumers most value. Without such information – as appears to be the case here – the incentives to compete on price, quality and other terms are reduced.

Competition and barriers to entry

SECONDARY MARKET

- 4.17 The principal means of distribution is via electrical retailers, with extended warranties being sold as a secondary purchase accompanying that of an electrical item. Effectively, therefore, it is difficult for other suppliers to compete because of the retailers' point of sale advantage. Additionally, since the consumer is primarily shopping for an electrical item and chooses a retailer with this purchase in mind, there is little competition between different retailers for the sale of extended warranties. We have found no evidence to suggest that electrical retailers, in their advertising and marketing activity, actively compete to sell extended warranties (or indeed extended warranties-plus-goods in combination).
- 4.18 Correspondingly, we found no evidence to suggest that consumers shop around for extended warranties [see paragraphs 4.19 to 4.24]. Indeed, if they tried they would find very few retailers willing to sell an extended warranty without the purchase of electrical goods.

DIFFICULTY OF SHOPPING AROUND AND SWITCHING

- 4.19 Our consumer survey results revealed that a high percentage of consumers who bought extended warranties did not anticipate buying them before arriving in the store – 38 per cent of those buying tumble dryers and 58 per cent of those buying games consoles. So, for many consumers the purchase of an extended warranty appears literally to be an afterthought.
- 4.20 The table which follows presents some typical prices for extended warranties currently available, which shows that extended warranties are often a significant additional cost in relation to the electrical item being bought.

TABLE 4.1 – PRICES TO THE NEAREST POUND (£) OF FIVE-YEAR EXTENDED WARRANTIES

<i>Product</i>	<i>Price (£)</i>		
	<i>Currys/Dixons</i>	<i>Comet</i>	<i>D&G (Quoteline)</i>
Washing machines			
£225 and under	139	130	
£226–£279	149	N/A	
£226–£300	N/A	160	
£280–£330	169	N/A	
£301–£400	N/A	175	170
£331–£430	179	N/A	N/A
Over £400	N/A	195	190
Over £430	199	N/A	N/A
Washer Dryers			
£280 and under	169	N/A	
£300 and under	N/A	195	
£281–£400	199	N/A	
£301–£400	N/A	225	
Over £400	249	250	

Note: the five years include the one year manufacturer's guarantee, which the consumer gets anyway

Sources: Currys/Dixons, Comet, D&G (Quoteline) – January 2002

- 4.21 Although consumers can buy extended warranties from a variety of sources, there is generally little difference in the extended warranties available – most provide a similar service irrespective of supplier. Further, consumers believe that there is little choice in where to buy an extended warranty. Of those responding to our consumer survey, 71 per cent stated that they were available from retailers, 23 per cent from manufacturers, and 14 per cent from insurers. Although after prompting 51 per cent identified insurers as an alternative source, retailers were considered to be the main distribution channel.
- 4.22 Consumers who want extended warranties cannot easily shop around for them unless they are aware of their options. Most who buy an extended warranty do so when they buy an electrical item. Some retailers sell extended warranties only to people buying their electrical goods. Other retailers will sell extended warranties for items purchased elsewhere, but they do not advertise this fact and did not provide the OFT with figures on the uptake. The scope for shopping around is, therefore, extremely limited.

- 4.23 For those consumers who are aware of their options, there are costs involved in finding the best deal, principally of convenience. Complexity and variation in product description in consumer literature make extended warranties difficult to compare. Although extended warranties are broadly similar, variations in price banding and slight differences in specification prevent easy product comparison. This contributes to the difficulty of shopping around for the best deal.
- 4.24 A further factor limiting consumers' scope for obtaining the best deal relates to cancellation periods. Although generally firms do not have to provide any cooling off period on extended warranty contracts signed by consumers, it is usual practice in this sector to provide consumers with a cancellation period of between 14 and 28 days. While this appears to be of benefit to the consumer, in practical terms it is of no real significance since most consumers do not shop around and have little awareness of alternative extended warranty suppliers. Generally, only those consumers returning manufacturers' product registration cards (contained in the packaging of electrical goods) will receive details of a competitor's extended warranty product. Such offers will only reach the consumer one month or 11 months after purchasing the electrical good. [One month from purchase because of the time involved in the consumer completing and returning the product registration card; in the 11th month since this is when the one-year manufacturer warranty is coming to an end.] Even one month from purchase is usually too late to cancel the retailers' extended warranty without losing the premium paid (or a significant proportion of it).

ENTRY BARRIERS

- 4.25 Barriers to market entry are features that give cost or other advantages to incumbent suppliers over potential entrants. New entrants will be concerned to make a return on the commitment made to enter the market. A significant factor here is 'first mover' advantage, where incumbents have built up brand loyalty in the electrical retail market. Given the nature of the extended warranty product (ie, as a secondary purchase associated with the primary purchase of an electrical good), entering the extended warranty market will therefore be difficult for businesses other than retailers. Moreover, entry will be hard for any retailer without an established brand name and prominent retail locations.
- 4.26 There are a significant number of insurers and other suppliers in the market to supply extended warranties to, or through, retailers and to manufacturers. Regarding direct supply to consumers, other providers of extended warranties wishing to compete with retailers mainly rely on product registration cards returned to manufacturers. Despite modest incentives, we believe that only about 15 per cent of these are returned and a much smaller percentage of consumers take out extended warranties at this stage. Thus, manufacturers represent only a small challenge to the retailer's point of sale advantage.

4.27 During the investigation several manufacturers commented on the difficulties in competing with retailers. One firm explicitly stated that:

retailers make profitable use of their own extended warranty packages and tend not to favour extended warranty packages from ourselves, as it makes it instantly more difficult to sell their own extended cover.

Another said that:

It would be against our interests to compete with our customers.

Whilst a third explained that they:

do not seek to compete directly with retailers, many of whom regard this business as their domain.

4.28 The significant costs involved in direct marketing, with uncertain returns from such an investment, limit the scope for competitors to break into this market. Potential competitors find it difficult to create the same level of awareness amongst consumers due to the expense associated with generating brand recognition.

4.29 This situation means that existing retailers leading the market are in a strong position in relation to market price and the consumer. In essence, the absence of direct alternatives to retailers' point of sale advantage means that competitive disciplines are limited.

PROFITABILITY

4.30 During the course of our investigation we did not use the information gathering powers available to us under section 44 of the Fair Trading Act 1973 [as explained at paragraph 2.7]. Respondents made information available to us on a voluntary basis and we were not provided with comprehensive information regarding profit levels in this market sector.

4.31 The claims information that has been shared with us suggests that claims ratios in the extended warranty business – ie, claims as a percentage of premium income – are considerably below average claims ratios recorded for insurance products in the general insurance industry. Other costs, which can be directly attributed to an extended warranty policy – such as commission incentives paid to sales staff – are relatively small.

4.32 Retailers do have other considerable costs, which arise primarily from their electrical product business, such as branch, advertising and head office costs. A full evaluation of the profitability of extended warranties would require a methodology for allocating these common costs between the extended warranty and product retail activities. This was not possible given the time frame and powers used for this investigation.

- 4.33 Nevertheless, claims are the most significant variable cost faced by the retailers of extended warranty products. Thus, notwithstanding the fact that an appropriate methodology for common cost allocation is needed for a precise analysis, the low claims ratio for extended warranty products gives cause for concern that profits in the extended warranty business may be very high.
- 4.34 Some retailers still use overseas reinsurance group captives based in tax havens to shelter profits, as identified in the 1994 OFT report. While this is primarily a matter for the fiscal authorities, we would be concerned if consumers did not share in the financial benefit provided by lower tax rates because there was not sufficient competition discipline on the sale of extended warranties.

Impact on independent electrical repairers

- 4.35 Concerns have been expressed about the impact of extended warranties on the market for independent electrical repair. Several repairers have commented that:

extended warranties are a closed shop between retailers and their own service organisations.

- 4.36 Independent repairers also stated, moreover, that increasingly inexpensive electrical goods are eroding the market for repairs as consumers without extended warranties increasingly replace rather than repair goods that become faulty.
- 4.37 Although independent repairers have stated that extended warranties are adversely affecting their business, according to our consumer survey 80 per cent³ of consumers do not have extended warranties and it would appear on the basis of available information that there are plenty of independent repairers. Consumers can access manufacturers' repair networks for white goods in addition to independent repairers. And some retailers are now offering repairs on items purchased at other retailers and without an extended warranty.

Alternatives for consumers

INDEPENDENT ELECTRICAL REPAIRERS

- 4.38 The survey of independent electrical repairers provided some additional background information on electrical goods repair costs. Given the particular nature of many repairs, the survey concentrated on establishing the relative frequency and cost of the most common types of repair.

³ This figure is the average across all electrical goods – consumers are more likely to buy extended warranties for certain appliances: eg, 32 per cent bought them when buying washing machines.

- 4.39 Average costs for TV repairs were estimated at £47 for power supply problems and £45 for dry joints, with an overall estimate – including all types of reported repair – at £47. Average costs for washing machine repairs depended to some degree on the nature of the problem. Average costs were £49 for change of door seal, £42 for change of carbon brushes and £59 for change/repair of pump, with an overall estimate – again including all types of reported repair – at £51.
- 4.40 Almost half of independent repairers reported making no call out charge, but where a call out charge was made the average fee was an estimated £25.
- 4.41 Most independent repairers reported responding promptly after being contacted by a customer, with 55 per cent reporting a policy of visiting the same day and a further 40 per cent between one and three days. Time to complete a typical repair – including when necessary collection and delivery and time waiting for parts – was estimated at same day for 15 per cent of repairers but most commonly between one and three days was reported by 65 per cent of repairers. Only one per cent indicated that typical repairs required more than one week.
- 4.42 According to the responses of the independent repairers surveyed, washing machines and televisions last about eight years and typically break down two to three times during that time. However, repairers' experiences are likely to be based upon the machines that they encounter and repair. Inevitably these will contain fewer examples of reliable makes and models and more examples of less reliable makes and models – ie, they do not see goods that are fault-free. As such, it cannot be assumed that their experiences will necessarily provide an accurate picture of electrical goods lifetimes and frequency of repair. Nonetheless, according to our survey, while the average age of both washing machines and TVs that are repaired is 4.5 years, at least 45 per cent of washing machines and 50 per cent of TVs are five years or older when they are repaired. Thus a significant proportion of repairs may occur after the period covered by many extended warranties.
- 4.43 In addition, an overall picture of repair costs is not available, as it was not possible to obtain robust information on the cost and frequency of less common and more expensive repairs. In consequence, no attempt has been made to use the results from the survey of independent repairers to assess the value for money provided by extended warranties.
- 4.44 Nonetheless, many independent electrical repairers did volunteer that extended warranties are poor value for money, too expensive, and are mis-sold by retailers – as one said:
- by high-pressure selling and grim warnings of doom and disaster which in reality are untrue.

4.45 While it should be noted that independent repairers provided no evidence to support such statements, several people interviewed for our consumer survey made similar claims. For instance, one consumer said:

The staff said it would be expensive to repair [independently].

4.46 While other consumers said:

They are too expensive and staff in the shops tend to push the extended warranties, which puts me off. I do not think they are value for money.

I do not like the sales techniques or pressure from the salesman at the retailers.

4.47 Overall the information available to us does not establish definitely whether extended warranties represent good value for money when compared to relying on independent repairs in the event that any problems arise [that are not already covered in the first year of purchase by the manufacturer's guarantee]. However, the repairers survey did establish the existence of an effective alternative market for electrical repairs, providing – as reported – generally prompt service. It can also be stated that our surveys of repairers and consumers revealed that independent repairers seem to provide a service as good as that provided under extended warranties [see paragraph 4.10].

Consumer protection

SUSCEPTIBILITY TO PRESSURE SELLING AND VULNERABLE CONSUMERS

4.48 Our consumer survey showed that those most likely to purchase extended warranties are in the social groups C2DE (which includes consumers on low-incomes). This confirmed earlier work by the market research firm NOP (in a study for Mintel 1999), that revealed low-income groups are the most likely to purchase extended warranties. This study demonstrated that 16 per cent of those who were benefit-dependent had an extended warranty. In addition, this group was also most likely to have obtained it as part of a store credit agreement.

4.49 In relation to this, several respondents expressed particular concern about the use of pressure sales techniques. Some stated that retail sales staff misrepresent extended warranties as a necessary purchase (ie, that the electrical goods are likely to fail, so protection is necessary), even with goods that have an inherently short life or where repair costs are low.

4.50 In our consumer survey, several people also claimed that retail staff put them under pressure. For example one person said that staff were:

too pushy and kept trying to make me take it when I had told them I did not want to.

4.51 Although the BRC code of practice states that:

those selling extended warranties and warranty providers will take steps and have a policy to prevent undue pressure to purchase being applied at point of sale

several industry sources stated that the selling of extended warranties is difficult to control, with consumers often not fully aware of what they are buying.

4.52 An indication that sales staff sometimes fail to describe the main characteristics of extended warranties accurately can be seen in the nature of cases dealt with by the Insurance Ombudsman. He noted that the majority of cases dealt with in this area result from a dichotomy between the cover the consumer thought they were buying and what they actually bought. The Ombudsman News (Financial Ombudsman Service, January 2001) noted that

almost all the complainants seem to have believed their policy offered protection against everything that might go wrong with the product.

4.53 Thus there may be cause for concern about the clarity of information provided to consumers by staff at point of sale.

TERMS AND CONDITIONS

4.54 While most extended warranty terms and conditions do not by themselves seem to cause many consumer problems, several issues have been drawn to our attention. One area identified as a problem was where policies include a provision assuming depreciation in the value of goods. For example, in some extended warranties covering more than five years, after a certain period of time the electrical appliance is assumed to be worth significantly less than the new value. Claims made at this point can often result in the item being deemed a write off. Where this is the case the value of the extended warranty may be substantially depressed. The depreciation rule is unusual and runs counter to the consumers' expectations unless very carefully and clearly explained at the point of sale. When these restrictions on the value of an extended warranty are ambiguous or hidden away, there may be scope to look the fairness under the Unfair Terms in Consumer Contracts Regulations 1999 and seek changes to terms. However, transparent terms that define the scope of the cover (and hence the premium payable) fall outside the scope of the legislation.

4.55 'Cash back' extended warranties are also a cause of some concern. These are policies that promise to refund the premium if no claims are made during the length of the contract. Consumers may often be unaware of the rigid and complex administrative registration procedures that must be followed. Several regulatory and industry respondents objected that 'cash back' offers essentially rely on consumer inertia, with retailers profiting from those who either forget to claim

their money back at the end of the contract or fail to comply with the strict time limit procedures required. (And of course, the retailer profits from the interest.) Where firms have attempted to deny consumers their right to reclaim their premium due to failure to follow administrative requirements, the Financial Ombudsman Service stated:

We have not yet been persuaded that any of these claims was validly rejected on the grounds of the policyholders' delay, whether in initially registering or in presenting the claim. Indeed our initial view is that such requirements may represent unfair terms, especially where little or no effort has been made to draw the customer's attention to these complex requirements. (*Ombudsman News*, January 2001)

- 4.56 We agree with this. The OFT has taken successful action against the use of unfair formalities in 'cash back' schemes used to promote the sale of furniture and loan agreements. We are considering the fairness of some unnecessarily rigid procedural requirements attached to extended warranties on electrical goods and are likely to seek to have them removed or modified.

REGULATION

- 4.57 As stated in paragraph 3.2, in practical terms the two types of extended warranties provide consumers with largely identical repair/replacement services for goods. In terms of consumer protection, however, much depends on whether the provider is regulated by the Financial Services Authority (FSA) or not. The FSA regulates insurance companies in the UK. Companies must be authorised under the Financial Services and Markets Act 2000 and must have FSA permission to carry on a regulated activity. The Act sets out threshold conditions that must be met for permission to be granted.
- 4.58 Insurance companies are required to submit annual regulatory returns to the FSA and statutory Companies Act accounts to their shareholders. Both sets of accounts are placed on the public record. The regulatory return is designed to demonstrate the company's solvency. In addition, there are EC Directives which establish minimum solvency margins for insurance companies. There is therefore a considerable amount of regulation of these companies' financial affairs.
- 4.59 If an insurance company fails there is a statutory compensation scheme though the FSA called the Financial Services Compensation Scheme that compensates consumers for claims that cannot be paid by an insolvent insurance company.
- 4.60 By contrast, those suppliers who are not authorised by the FSA are not regulated in the same way and do not have to satisfy the requirements of the Act. For example, they do not have to satisfy any regulatory requirement that they have enough assets to meet future claims.

- 4.61 For the majority of consumers this distinction may be of little importance. However, recent events have shown that it can be of great significance to consumers if a company fails and there are not sufficient funds to meet future claims. For example, there were not enough funds 'ring fenced' to pay claims when Tempo became insolvent.
- 4.62 In that case, consumers were unaware of the risk until it was too late.
- 4.63 There is no legislation applicable to the sale of extended warranties as a specific, defined product. The operation of self-regulation in the industry is patchy. The Association of British Insurers (ABI) is a trade association representing companies authorised to transact insurance business, and has a code of practice for selling general insurance. The Insurance Ombudsman deals with consumer complaints arising from the insurance business. On a voluntary basis, insurance intermediaries may be members of the Finance and Leasing Association (a trade association for finance houses) or the General Insurance Standards Council (GISC). GISC is an independent organisation that regulates the sales, advisory and service standards of its members (such as insurers and intermediaries) to ensure that insurance customers are treated fairly. GISC operates a Private Customer Code, setting out minimum standards of good practice, which its members must follow.
- 4.64 The foremost retailers selling extended warranties are members of the British Retail Consortium, which has a code of practice covering the sale of extended warranties. Our mystery shopping exercise suggests that this code of practice is largely ineffective [paragraph 5.3]. However, the BRC is not planning to apply for recognition under the new OFT codes regime. Essentially, this is because the BRC is disinclined to meet the OFT's rigorous requirements regarding compliance monitoring – required by stage two of the OFT's new codes regime and necessary to achieve OFT recognition.
- 4.65 Given that there are several codes of practice relating to different aspects of the extended warranties sales process, the ABI stated that their members are uncertain as to which code is applicable at the point of sale.
- 4.66 Essentially, therefore, there is no comprehensive voluntary regulatory system applicable to both extended warranties and service agreements. As a consequence, the industry standards and requirements of best practice promoted by BRC, ABI and GISC are not adhered to across all types of supplier or extended warranty product.

FUTURE DEVELOPMENTS

- 4.67 HM Treasury is considering whether to include extended warranties within the scope of the new statutory regulatory regime for insurance mediation, which will implement the Insurance Mediation Directive (which does not cover extended warranties under certain conditions). The consultation process will take place once the Directive has been formally adopted.
- 4.68 It is anticipated that The Sale and Supply of Goods to Consumers Regulations are to be made law in 2002. DTI are currently in the process of redrafting and clearing the Regulations, which will implement the Directive on the Sale of Consumer Goods and Associated Guarantees, following the consultation launched this February⁴.
- 4.69 This Directive requires goods to conform with the contract of sale, which involves them complying with certain criteria set out in the Directive. If goods do not conform with the contract, the Directive contains a hierarchy of remedies available to consumers. These differ from those currently available in existing sale and supply of goods legislation. However, it is the view of the DTI that retailers already frequently offer the same remedies to consumers as those to be introduced in the Regulations.
- 4.70 The Directive introduces the 'reversed burden of proof' during the first six months after a delivery of the goods. Any lack of conformity with the contract that becomes apparent in the electrical (indeed any) good during this period will be assumed to have existed at the time of the delivery.
- 4.71 The Directive contains a provision that guarantees offered at no extra charge will be binding on the person offering them. It also provides for the supply of information to consumers about the nature of the guarantee in advance of the purchase. This may lead to greater consumer awareness of the benefits available to them under the manufacturer's or retailer's guarantee.
- 4.72 A belief in the industry is that an effect of the Directive will be greater consumer awareness of their 'statutory rights'. DTI did not see that this would necessarily be the case in the long term, beyond a possible initial upsurge.

⁴ For a copy of the second consultation on the Directive, visit the DTI website at <http://www2.dti.gov.uk/CACP/ca/consulta.htm#2nd>

5 THE DECISION TO REFER

- 5.1 The fundamental reason for referring the extended warranties market to the CC is that there are serious questions about the effectiveness of competition in the market. We have considered whether a reference is proportionate to the competition concerns identified. As part of this we assessed whether the questions and problems identified could be addressed by any other means.
- 5.2 We considered, therefore, whether we could seek to address the problems identified ourselves via voluntary means, such as the revision of existing codes of practice or the negotiation of undertakings in lieu of a reference. In the circumstances, however, we concluded that these routes would not by themselves achieve the goal of encouraging more effective competition in the supply of extended warranties.
- 5.3 We also considered the experience of two previous OFT reports, which failed to bring about satisfactory changes. Our mystery shopping exercise revealed that our previous recommendations – embodied in the British Retail Consortium (BRC) code of practice – have failed to secure the results desired. The study demonstrated more than three-quarters of stores did not display signs referring to prices of extended warranties and more than half of stores did not display clearly visible extended warranty leaflets or signs. These were the key recommendations of the 1994 and 1996 reports. In addition, the BRC is not seeking approval for their code of practice under the OFT's new codes regime. As such there appears no immediate or obvious solution through a code of practice.
- 5.4 It appears to us that in order to be fully effective the implementation of any remedies may be necessary on an industry-wide basis. The negotiation of undertakings in lieu of a reference would therefore have to take place with numerous suppliers; in these circumstances, in our view, this would be impracticable.
- 5.5 The powers available to the Secretary of State following adverse findings from a CC investigation and report are significantly more extensive than those available following a report by the OFT. A reference to the CC therefore provides the best prospect for making this market work better for consumers by improved competition, information and consumer choice, and hence better value for money.

ANNEXES

A TERMS OF REFERENCE

- A.1 The Director General of Fair Trading in exercise of his powers under sections 47(1), 49(1) and 50(1) of the Fair Trading Act 1973 ('the Act') hereby refers to the Competition Commission the matter of the existence or possible existence of a monopoly situation in relation to the supply of extended warranties for domestic electrical goods within the United Kingdom.
- A.2 The Commission shall investigate and report on the questions whether a monopoly situation exists and, if so:
- a) by virtue of which of the provisions of sections 6 to 8 of the said Act that monopoly situation is to be taken to exist
 - b) in favour of what person or persons that monopoly situation exists
 - c) whether any steps (by way of uncompetitive practices or otherwise) are being taken by that person or persons for the purpose of exploiting or maintaining the monopoly situation and, if so, by what uncompetitive practices or in what other way
 - d) whether any action or omission on the part of that person or persons is attributable to the existence of that monopoly situation and, if so, what action or omission and in what way it is so attributable, and,
 - e) whether any facts found by the Commission in pursuance of their investigations under the preceding provisions of this paragraph operate or may be expected to operate against the public interest.
- A.3 For the purposes of this reference:

'extended warranty'

means a contract, whether backed by insurance or otherwise, which covers consumers within the meaning of section 137 of the Act for the cost of any repairs or replacements that may become necessary within a specified period beyond that covered by a manufacturer's, retailer's or importer's guarantee, and includes both contracts that provide cover during the period of the manufacturer's, retailer's or importer's guarantee, and contracts where cover commences after this period, and

'domestic electrical goods'

are products designed to be connected to an electricity supply or powered by batteries, and on which extended warranties are offered to consumers within the meaning of section 137 of the Act.

- A.4 The Commission shall report on this reference within a period of 12 months from the date hereof.

B PRACTICES OVERSEAS

B.1 In order to gain a greater insight into the market for extended warranties on domestic electrical goods, we wrote to a number of overseas competition and consumer authorities, as well as several consumer bodies. The aim of this was to discover the nature of the market, the regulatory framework governing the supply or sale of extended warranties, whether they are the cause of many complaints, and whether any investigations have been conducted.

B.2 The following is a brief summary of our findings.

Australian Competition and Consumer Commission (ACCC, Australia)

B.3 The ACCC have not undertaken any reports into the market for extended warranties. Similarly to the OFT, the ACCC do not pursue individual cases, however, they informed us that they are aware of some 110 complaints made between 1996 and 2002. They have produced a booklet entitled Warranties and Refunds, to advise consumers on their rights in connection with extended warranties.

National Consumer Agency of Denmark (Denmark)

B.4 The National Consumer Agency of Denmark has received a number of complaints regarding extended warranties, but did not provide figures. They have not carried out any investigations on the subject.

B.5 They are of the opinion that extended warranties are of no real value to the consumer if the goods are already covered under the Sale of Goods Act, or by a free guarantee issued by the manufacturer. The Danish Consumer Complaints Board decided that retailers would have to refund the price of the warranty if their product did not offer better protection for the consumer than usual. Indeed, under Danish law extended warranties can only be sold if they 'afford the consumer a considerably better legal position than otherwise provided by existing legislation.' [Danish marketing Practices Act, § 4, section 1] Extended warranties backed by insurance are subject to insurance legislation in Denmark.

European Consumer Centre of Helsinki (Finland)

B.6 Extended warranties are not commonly sold in Finland. Consequently, they are not the cause of many complaints.

Confédération de Consommation, Logement et Cadre de Vie (CCLCV, France)

B.7 CCLCV informed us that extended warranties are not the source of many complaints, since French consumer law provides high levels of consumer

protection. According to this, all goods are covered by a legal guarantee in the case of hidden defects. Depending on the nature of the fault, the consumer is entitled to a part or whole refund, or replacement. All complaints must be resolved within a six-month period, and if the appliance is out of service for more than seven days, this is added to the original time span of the warranty.

- B.8 The CCLCV also expressed their concern about the Sale of Goods and Associated Guarantees Directive. At present the market for extended warranties is marginal, and they are only sold with products in certain sectors of the electrical goods market. They fear that the EC directive will disrupt existing French law, and possibly result in the development of the market for extended warranties. They did not go into detail about their concerns.

Union Luxembourgeoise des Consommateurs (Luxembourg)

- B.9 The situation concerning extended warranties in Luxembourg is similar to that in France. Extended warranties are not sold frequently, and consequently there are few related complaints and there is no special legislation governing their sale.

Consumentenbond (Netherlands)

- B.10 The Dutch consumer body informed us that they receive some complaints about extended warranties, and that consumers frequently seek their advice on the subject. They conducted an investigation into extended warranties in 1997, which concluded that they can be worthwhile products depending on the nature of the service they offer.
- B.11 The Dutch have no specific legislation relating to extended warranties, however, Dutch consumer law on the sale of goods implies a time decreasing liability for the retailer, depending on the life span of the product.

Konsument verket (Sweden)

- B.12 The Swedish Consumer Agency expressed the view that the sale of extended warranties is a problem in their country since the electrical product and warranty are sold simultaneously. They informed us that staff often have little knowledge of the product they are selling, no idea of whether the contract terms are fair, and whether the consumer actually requires the warranty.
- B.13 They have recently issued guidelines to all retailers stating that they must inform the consumer if the extended warranty duplicates the protection already provided by the law or by the manufacturers' guarantee. These guidelines are not legally binding, but represent good sales practice.

Commission de la concurrence (Switzerland)

- B.14 The Swiss competition authority has not received any complaints in connection with extended warranties, and has no specific legislation regarding these products. Under Swiss law consumers have a statutory right to a twelve-month guarantee, which can be extended or reduced with the consent of both parties.
- B.15 As in France, the market for extended warranties is not an issue. Few retailers offer warranties that extend beyond that of the manufacturer. The retailers who do provide these products only do so on request, and/or operate a system whereby the money from the warranty is paid into an account and is refunded to the consumer in the form of a voucher when the contract expires.

Other information

- B.16 In the US, General Electric provides extended warranties both to suppliers and directly to the public. These appear to be considerably cheaper than those sold in the UK.

C SUMMARY OF THE CONSUMER SURVEY⁵

The research

- C.1 To examine consumers' experience of purchasing extended warranties and making use of repair and replacement services under warranty, the Office of Fair Trading commissioned a market research company to conduct a survey.
- C.2 Working to a research requirement provided by the OFT, FDS International conducted 2,000 interviews with household decision-makers in line with the UK demographic profile. Interviews were conducted by telephone using computer-assisted methods, based on a sample generated by random digit dialling.
- C.3 An additional sample of 100 individuals were interviewed who have already had a repair or replacement under extended warranty in order to give a robust sample base for this key group.
- C.4 The study therefore provided an understanding of both how extended warranties are sold, and how easy it proved to be for consumers to have appliances repaired and replaced under extended warranties.

Consumer awareness and understanding of the product

- C.5 Awareness of extended warranties is almost universal and most consumers have a good general understanding of what they are. But they are much less clear on matters of detail, and as an example, more than 85 per cent were either not aware of or were unsure about the difference between extended warranties backed by insurance and extended warranties that are service contracts.
- C.6 Asked – unprompted – who might offer extended warranties, just over seven in ten mentioned retailers, but only a quarter manufacturers and only one in seven insurance companies.

Consumer attitudes

- C.7 Asked how likely they would be to take out an extended warranty if they were to buy a major electrical appliance in the future, a third thought that they definitely or probably would for a colour TV, but more than half for a washing machine. As was apparent in other parts of the survey, consumers' experience and perceptions about product reliability plays a strong part in shaping attitudes towards the purchase of extended warranties.

⁵ For the full report of this research please visit our website at www.offt.gov.uk/

- C.8 It was found that the issues being considered by those who routinely buy and those who routinely reject warranties have much in common. Prominent topics included how reliable is the product, is breakdown more likely to be early when covered by the manufacturer's guarantee or later, is the product too expensive to repair or replace if breakdown occurs. In effect this all leads to an overall view on whether it is good value for money and worth it, or poor value for money and not worth it.
- C.9 This shows that the consumers in the survey were certainly considering the cogent issues. That they tended to arrive at different decisions may in part reflect different preferences, but may also in part reflect a lack of objective information to inform their choice.
- C.10 Based on previous purchasing habits, it was found that those consumer groups more likely to take out a warranty included those under 35, lower income households and those in social groups C2DE, women and people who had previously bought warranties.

Purchasing the product

- C.11 One in five electrical appliances are now bought with an extended warranty. White goods and more expensive items are most likely to be bought with one. Young adults do not believe appliances will last as long as older adults believe they will and are therefore more inclined to buy extended warranties.
- C.12 There is an upward trend in the incidence of taking out extended warranties on dishwashers, tumble dryers, colour TVs and PCs. And a downward trend for washing machines.
- C.13 Half of those buying extended warranties planned to do so before entering the store. Nearly 60 per cent of consumers remembered store staff mention extended warranties, and of these 60 per cent reported being advised or encouraged to take one out. In one in ten cases customers felt that staff used pressure tactics and more than five per cent claimed they were offered special deals on condition they took one out.
- C.14 Of those surveyed, higher proportions of customers at major chains were advised or encouraged to take out a warranty, and more likely to complain that staff put them under pressure to buy an extended warranty.
- C.15 Many consumers feel they have a mind of their own when it comes to extended warranties. Those who felt that staff put them under pressure are less likely to take one out. However, when special offers were made on condition that an extended warranty was taken out, one half accepted.

C.16 Information offered by staff was found on the whole to be helpful. Those who reported finding it unhelpful tended not to be interested in extended warranties anyway. Leaflets about extended warranties are only reaching one in four buyers but are found to be clear.

What happens when things break down

C.17 A high proportion of the consumers who have experience of a repair carried out under extended warranty are satisfied with the repair, with some 82 per cent indicating that they were either very or fairly satisfied. That said, these results were no better than the satisfaction ratings for repairs made under a manufacturer's warranty or arranged independently, both of which recorded 86 per cent very or fairly satisfied. In other respects they were rated rather poorer than independent repairs in ease of arrangement and speed of repair.

Summary

C.18 Consumers show high levels of awareness of the product and a useful – if not deep – understanding of the product. But awareness of extended warranty suppliers other than the retailer was disappointingly low.

C.19 Consumers appear divided on whether extended warranties represent good value for money. Their responses showed reasonable awareness of the relevant issues like product reliability and the relative cost of independent repair, though in the absence of much publicised information on product reliability, their views tended to reflect personal experience.

C.20 At the point of sale, there was some evidence of pressure selling, and explanatory leaflets, though generally clear, did not reach a high proportion of consumers. However, a fair proportion of consumers appear robust enough not to be unduly influenced in their decisions.

C.21 When called upon, extended warranty products generally performed well – that is, they ensured the necessary repairs to the satisfaction of the consumer – though notably they were rated no better than independent repair. In terms of the ease of making arrangements and the speed of the repair they were rated a little worse than independent repair.

C.22 This work identified a number of issues that give cause for concern – including impediments to shopping around, lack of objective information on reliability, and in cases poor sales practice. Collectively they add up to a product where even well informed consumers will find it difficult to judge value for money and make the best purchasing decision.

D SUMMARY OF THE INDEPENDENT REPAIRERS SURVEY⁶

The research

D.1 The survey aimed to research independent electrical repairers' opinions and experiences of the domestic electrical goods repair market. Out of a sample of 3,470 repairers, 1,008 repairers responded. The survey was conducted by post using data from the Yellow Pages Directory.

Common repairs

D.2 Repairers reported the most common repairs for washing machines:

- change of door seal 30 per cent
- change/ repair of pump 30 per cent
- change of carbon brushes 20 per cent

The most common repairs for TVs:

- power supply problems 70 per cent
- dry joints 20 per cent

Repair costs

D.3 The average cost of repairs for washing machines:

- change of door seal £49
- change/ repair of pump £59
- change of carbon brushes £42
- **All repairs £51**

The average cost of repairs for TVs:

- power supply problems £47
- dry joints £45
- **All repairs £47**

Call out charges

D.4 Forty-five per cent of repairers did not have a callout charge. Of the 55 per cent who did the average charge was £25.

Repair times

D.5 Fifty-five per cent of repairers said they visited the customers the same day they were contacted. A further 40 per cent aimed to visit within three days. Sixty-five per cent of repairers said that repairs were usually completed within three days.

⁶ For the full report of this research please visit our website at www.offt.gov.uk/

Reliability

- D.6 According to the independent repairers who responded to the survey, washing machines and TVs last for an average of eight years and need repairing, on average, two to three times in their lifetime. However, these averages should be treated with caution as they only represent the views of the independent repair sector.
- D.7 As electrical repairers only repair those items that need repairing, it is not possible to judge reliability figures from the data collected, since it is impossible to know how many items the repairers do not see and do not need repairing. This survey merely gives an indication of repair frequency and life expectancy on two products, washing machines and TVs, according to the experiences of independent repairers only.
- D.8 This survey does not provide a definite picture of product reliability or permit direct comparisons between the costs of repairs and extended warranties. Nonetheless, it does provide evidence that there is a market for independent repairers for minor repairs that costs around £50 to repair, that were usually dealt with within three days after initial contact and that their costs and service level compare well with those offered under extended warranties.