

Note of 23rd meeting of the Supervisory Panel
REAL Consumer Code
Wednesday, 14 March 2012

Attendees:

Gill Owen (Chair) – Independent expert
Tom Chapman – Gemserv
Inga Jirgensone – Gemserv
James Court – Consumer Focus
Jim Thornycroft – Independent solar PV expert
Dave Sowden – Micropower Council
Rufus Ford – SSE
Mike Landy – REA
Anna Moule – Ofgem (Observer)
Paul Rochester – DECC (Observer)

In attendance:

Virginia Graham – REAL Executive
Ciaran Burns – REAL Executive
Sue Bloomfield – REAL Executive
Andrea Kourra – REAL Executive (minutes)

Apologies:

Philip Wolfe (Independent solar PV expert)
Chris Beedel (Elecsa)
Neil Schofield (Worcester Bosch)
Martin Cotterell (Sundog)
David Laird (Energy Retail Association)

1. The Chair welcomed every-one to the 23rd meeting of the REAL Supervisory Panel. She noted the apologies for absence received.
2. The Note of the **22nd** meeting of the Supervisory Panel was agreed as an accurate record other than an order of magnitude error in point 11 noted by DS. He asked for £40,000 to be corrected to £4,000. There were no matters arising.
3. REA circulated a graph of installer activity leading up to the 3 March 2012 reference date showing the weekly installed capacity below 50kW. The graph showed a marked drop-off in the number of installations in the week following the following the reference date. He explained that the FiT tariff was now 21p/kWh. Some further discussion ensued.
4. The Executive gave an overview of the activities within DECC, MCS and REAL to combat fraud connected with the change of FiT tariff rates around the proposed 12 December 2012 Reference Date. It was explained that in many instances installers had applied for MCS certificates before the installations had been completed. It was explained that REAL had been informed by consumers and other installers of several instances in which this had occurred. The information

has been fed back to MCS and the Certification Bodies had inspected the relevant sites with the result that:

- 75 sites had been found to be fraudulent
- 14 of the 75 had had their MCS certificates suspended
- 8 had had their certificate cancelled
- 10 instances had been rectified
- the status of 35 sites had not been confirmed.

It was explained that, following this activity, installers were now required to make a specific declaration that the installation was complete before applying for the MCS certificate. Consumers were also required to sign a declaration when applying to FiT Licensees. DECC was working on a report on this activity for its internal auditors. It was explained that a similar exercise had been set up for the 3 March Reference Date.

Some further discussion ensued concerning the collection of evidence, on the viability of 'drive-by' inspections and on the limitations of MCS' role in detecting and sanctioning fraudulent activity.

5. SB circulated the latest customer satisfaction update, current to the end of March 2012. She explained that the data showed really high levels of satisfaction with installers. However, the results showed that consumers were not necessarily informed about REAL as much as they should have been.

SB explained that, if any evidence of non-compliance came to light in the surveys, it would be noted and the company mystery shopped and/or added to the audit list. She confirmed that the information about customer satisfaction will be put on the REAL website.

6. VG explained that the scheme by which installers could insure deposits taken and their workmanship guarantees had changed from 1 February 2012 in case they should cease trading. The scheme is run by QANW (the scheme administrator) and consumers' contracts are directly with QANW. REAL is not part of the arrangement. Installers can choose which insurance company to work with and REAL derives no benefit, whether financial or otherwise, from any insurance scheme.

VG reported that nearly 900 members had applied to use the QANW scheme since it was launched on 1 February 2012. She explained that installers pay a fee per installation registered. Consumers must be provided with the relevant information before the contract is signed, but consumers can opt out should they not wish their details to be passed onto the insurance company.

VG explained that the Code would shortly be updated to require the minimum length of a workmanship guarantee to be 2 years rather than 1 year. Members typically offer guarantees of 2, 5 and 10 years. The length of the guarantee determines the cost of the insurance premium.

VG explained that QANW were credit checking all companies that apply to join the new scheme. Quite new companies who have not filed accounts with Companies House are required to provide further assurances to QANW such as management accounts and personal guarantees.

VG explained that some members had had trouble setting up a 3rd party client bank account, depending on the bank and the individual branch. REAL was looking to set up an arrangement with Bondpay that would give members access to a protected payment scheme. She stated that OFT approval would first be sought. She stated that further information would be provided at the next meeting.

7. Mark Cutler provided an update on REAL membership renewals and companies going into liquidation.

He explained that REAL had about 5,600 members in December 2011, and that 4,500 of those had renewed their membership. 230 had not renewed. To date the balance of members had not renewed, and final reminders would be sent out to them at the end of March, four months after the invoices were issued. To date the renewal rate was 80% although he expected that to improve somewhat.

He explained that REAL notifies the appropriate MCS Certification Body if a company leaves REAL or does not renew its membership.

SB reported that since November 2011, 27 member companies had ceased trading / gone into liquidation. She noted that this was probably an underestimate of the true figure and that REAL was expecting more companies to cease trading or withdraw from REAL. She reported that QANW had received 74 claims relating to these companies. QANW had settled 8 of these claims. She explained that if a deposit had been paid by credit card, QANW would expect the credit card company to refund the deposit.

8. VG outlined the proposed changes to the Code which had been discussed previously by the Panel and asked for comments. The changes included:

- clarification about technical site visits – with regards to consumers' rights if they sign a contract before the site visit is conducted
- clarification of the 'Behaviour of sales representatives' section to include examples
- further clarification around cancellation rights with regards to doorstep selling
- clarification on deposits and advance payments and how to protect them
- clarification on the complaints procedure, and the conciliation and arbitration schemes
- updated section on non-compliance to ensure that the Bye-laws and the Code were distinct – in the past there had been an overlap.

VG noted comments made and recorded a list of Panel members that wished to be emailed the Word version of the proposed changes to the Code. She looked forward to receiving further comments from Panel members on the proposed amendments which would be taken on board before the amendments were finalised. She reported that she expected the Code amendment

process would be completed by June 2012 and she agreed to make the final amendments available to any Panel member that requested them, and to the next Panel meeting in any event.

9. CB explained that since 12 December 2011, REAL had received 360 complaints in total, 153 of which were still active. He explained that there were now a total of 250 active complaints altogether irrespective of the date they were registered. REAL currently has a 4-5 week backlog of complaints that require handling owing to the high number of complaints received. He explained that complaints of a technical nature were forwarded to the relevant MCS Certification Body whose responsibility it was to deal with these.

It estimated that REAL was receiving 40-50 complaints a month. However, these are likely to represent the tip of the iceberg and so should not be regarded as a precise indicator of the level of complaints in the sector.

10. GO reported that VG had written to 30 companies with regards to their advertising being misleading in the lead up to the 3 March Reference Date. Having considered their responses REAL considered that 11 companies appeared to have breached the Code. These had been referred to the Non-compliance Panel who agreed that the companies had breached the Code and should be cautioned.

GO further raised the issue of companies changing MCS Certification Body and there being no clear responsibility for enforcement. She stated that this needed to be clarified with UKAS. The Panel was of the opinion that the responsibility should be with the acquiring MCS Certification Body.

GO reported that one company had been released from probation while another had had its probationary status lifted.

GO explained that, while non-compliance action against PV Solar UK remained ongoing, REAL had been unable to put any information up on the website. However generic complaints statistics, customer satisfaction survey results and the action that REAL has taken with regards to misleading advertising would be made available on the REAL website.

GO reported that an Applications Panel had been constituted and that REAL would like to invite representatives from UKAS, MCS Certification Bodies and DECC to sit on this Panel. Many companies with a difficult trading history had applied to join REAL following the MCS rule change. REAL therefore required an independent panel to decide whether to admit these companies to the Scheme.

11. By way of other business, VG informed the Panel that the decision with regards to the Future Landscape and the role of the OFT had been delayed, and that the decision was now expected at the end of April. VG reported that she was in contact with DECC with regards to the forthcoming requirement for Energy Performance Certificates with a view to putting information on the REAL website as soon as possible. There being no further business GO thanked every-one for their

attendance and reminded them that the next meeting would take place on Wednesday, 20 June 2012.