

The Green Deal Provider Warranty Working Group

Purpose

The Green Deal Provider Warranty Working Group (the Group) was set up with the following purpose:

To review current DECC warranty proposals, stress test the proposals and make recommendations to ensure appropriate consumer protection within an affordable framework for warranties from Green Deal Providers.

Objectives

The Group held a series of meetings with the objective to:

- Review the DECC Regulations and Code and identify implications for GDPs and security provided to householders.
- Document typical cover, typical exclusions and typical maintenance regimes required to support a long-term product warranty using industry information (per measure type)
- Identify and document existing approaches for financial backing for warranties (e.g. bonds, industry insurance for products, manufacturers insurance etc.)
- Put to DECC proposals on definition of a warranty and consequential damage

Process and Outcomes

NEF were present during all meetings to ensure that competition rules were not compromised. DECC were present at all meetings and were open, engaged and sought a partnership approach to discussions.

In the event, the initiation of the Group coincided with the final drafting of the Regulation and the Code of Practice. This allowed the group to provide direct input to DECC on the drafting process although it did restrict the level of change we could expect, particularly on fundamental principles.

DECC has taken a principles based approach to warranties/guarantees in Green Deal. The key points of the guarantees legislation are outlined here (full excerpts from the draft legislation are provided at the end of this paper).

High level guarantee principles:

- The green deal provider must agree in the energy plan to guarantee the functioning of the improvements and to repair damage to the property which is caused by the improvements
- Guarantees must be given by Green Deal Providers for:
 - 5 years in relation to the performance of all products and 10 years for consequential damage caused by those products
 - 25 years in relation to solid wall insulation or cavity wall insulation and 25 years for consequential damage caused by those products
- Green Deal Providers may charge for the cost of insurance as part of the Plan.
- Green Deal Providers must ensure that the customer has recourse to the guarantee if the Green Deal Provider is no longer in place or does not honour the guarantee.

The Group recognises the Government is putting the guarantee legislation in place to enhance consumer protection in Green Deal in order the policy will be seen as robust and of a high standard by consumers and the Group supports this aim.

The working Group discussed the practicality of the proposals with DECC, based on their lengthy combined experience in selling and installing Green Deal eligible measures. Overall the Group was encouraged that DECC had stepped away from requiring guarantees that matched the term of the Plan (their original proposal in the consultation). However, we were concerned that the duration of the guarantees in most cases exceeded typical warranties/guarantees available in the market. A table is provided below on specific feedback of industry standard product guarantees.

Product Warranties/Guarantees Typically Available for Green Deal Products

Product	Typical Term and backer	Green Deal Term Required	Comments
Condensing Boiler	2 to 5 yrs Manufacturer	5yrs	Would require annual service visits. Annual costs could be in range £50-£100
Air Source Heat Pump	3-5yrs Manufacturer	5yrs	Would require annual service visits.
Ground Source Heat Pump	5yrs Manufacturer	5yrs	Would require annual service visits.
Biomass boiler	3yrs Manufacturer	5yrs	Would require annual service visits.
Solar PV	5yrs Manufacturer	5yrs	Covers inverter and panels product and manufacturing. Additionally performance is typically warranted for 25yrs
Loft insulation	No standard	5yrs	Usual recourse would be to the installer.
Cavity Wall	25yrs Industry trust	25yrs	Most installers use the Cavity Insulation Guarantee Agency to provide the warranty (note this is not an insurance product)
Solid Wall	10yrs industry insurance Up to 10yrs Manufacturer	25yrs	Insulated Render and Cladding Association have a 10yr domestic warranty insurance, Solid Wall Insulation Guarantee Agency developing a 25 year product (although this is not an insurance product)

It should be noted that the above table covers product warranties only. Consequential damage to a building (damage caused by the installation or use of a product) is not available for most products with the exception of cavity and solid wall insulation.

As can be seen from above, current industry practice is to use manufacturer, installer and, in the case of cavity wall, trust based schemes like CIGA. The industry does not currently use long-term, insurance-backed products. In addition Overall the Group felt that the required guarantee term was too long and would result in a material costs to consumers for provision of the guarantee but accepted the Government was seeking a balance between cost and consumer protection.

Further work required

One key issue that arose was the restriction that guarantees provided under the Green Deal Plan must be under a contract of insurance. This is particularly relevant in respect of industry schemes which are often trust-based schemes rather than insurance products. This issue was not resolved in time to feed a solution into the draft legislation but DECC have agreed to continue to look at solutions to this issue. We expect members of the Group and other industry experts will contribute to DECC's work in this area.

The Group has decided not to have any more meetings in the near future given the legislation has now been drafted. Insurance-backed solutions for guarantees will need to be worked on by industry

partners to come to practical products that address the needs of consumers whilst not significantly impacting the viability of Green Deal products through onerous costs. All members of the Group are keen to work with manufacturers, installers and industry bodies to find practical solutions to ensure Green Deal is a robust product that provides good value and good protection for consumers and we look forward to on-going guidance and support from DECC to achieve this.

Appendix: Excerpts from the draft legislation

Draft Framework Regulation

Guarantees to be given by green deal providers [From draft Framework Regulation, Para 35]

The green deal provider must agree in the energy plan to guarantee the functioning of the improvements and to repair damage to the property which is caused by the improvements. The full requirements are provided in Schedule 3

Guarantees [From Schedule 3 of the draft Framework Regulation]

1. The requirements for a guarantee referred to in regulation 35(2) are as follows.
2. All problems which affect the functioning of an improvement and which—
 - (a) relate to its installation, materials or design; and
 - (b) are notified to the green deal provider—
 - (i) subject to paragraph (ii), within five years of the improvement being installed;
 - (ii) where the improvement is solid wall insulation or cavity wall insulation, within 25 years of the improvement being installed, must be rectified by the green deal provider free of charge.
3. The green deal provider must repair damage to the property free of charge which—
 - (a) is caused by an improvement or the installation of an improvement;
 - (b) is notified to the green deal provider—
 - (i) subject to paragraph (ii), within 10 years of the improvement being installed;
 - (ii) where the improvement is solid wall insulation or cavity wall insulation, within 25 years of the improvement being installed; and
 - (c) is of a kind described in paragraph 4.
4. The descriptions of damage referred to in paragraph 3 are—
 - (a) damage to—
 - (i) the structure of the property;
 - (ii) wall coverings, ceilings, roofs and roof coverings including plaster and render but excluding decoration;
 - (iii) floors;
 - (iv) staircases;
 - (v) external windows and doors, including panes;
 - (b) damage which is likely to result in risks to the health or safety of persons.
5. The green deal provider's total liability to repair damage to the property under paragraph 3 must not be less than £20,000.
6. The requirements in paragraphs 2 to 4 do not require the green deal provider to rectify a problem or repair damage which arises after the improvement is installed where that problem or damage arises from one or more of—
 - (a) negligence;
 - (b) accident;
 - (c) misuse of the improvement;
 - (d) repair of the improvement, attributable to a person other than a person described in paragraph 7.
7. The following persons are referred to in paragraph 6—
 - (a) the green deal provider;
 - (b) the manufacturer of the improvement;

(c) a person acting on behalf of such provider or manufacturer.

Draft Code of Practice

Guarantees provided under the Green Deal Plan

93. The Framework Regulations require Green Deal Providers to provide customers with a guarantee in respect of any Green Deal Plan which meets, as a minimum, the requirements set out in Schedule 3 to the Framework Regulations.
94. Green Deal Providers must ensure that the customer has recourse to the guarantee if the Green Deal Provider is no longer in place or does not honour the guarantee. Green Deal Providers must therefore, to cover the risk that they cease to exist or otherwise cannot honour the guarantee, take out a contract of insurance for the benefit of the bill payer and the improver and ensure that the contract is valid for the lifetime of the guarantee. The contract of insurance must allow the bill payer and the improver access to the Financial Ombudsman Service (or, if the insurer is established elsewhere in the EEA, access to a comparable ADR scheme which complies with the principles of Commission Recommendation 98/257/EC). The contract must also be protected by the Financial Services Compensation Scheme (or, if the insurer is established elsewhere in the EEA, a comparable compensation fund of last resort).
95. All services carried out pursuant to the guarantee must be provided free of all charges, and must be carried out on-site where possible. Improvements or parts of improvements may only be removed from the property for repair under the guarantee if the customer gives permission. The Green Deal Provider must remain responsible for any improvements or parts of improvements that are removed from the property until they have been returned, reinstalled and are functioning in the property.
96. Any guarantees and/or warranties offered by Green Deal Installers and manufacturers can be called upon by Green Deal Providers as part of their offering to customers.
97. If Green Deal Providers offer customers any extended guarantees or additional warranties beyond those required, they must tell customers that these are optional, and set out clearly who is offering it, what the extra costs are, and the benefits.
98. A customer can refer a fault or damage to the property to the Green Deal Provider for rectification under the guarantees at any time during the period of the guarantee's validity, including where a fault is identified during any regular maintenance inspections (whether carried out by the Green Deal Provider or by another person) carried out during the guarantee period.
99. In the event of a fault developing with an improvement which is covered by the product guarantee the Green Deal Provider must not seek to limit its liability by providing a refund rather than repairing the improvement.
100. Green Deal Providers must not seek to limit the customer's legal entitlements in the event of a fault developing or make unreasonable exclusions. Green Deal Providers must also ensure customers are aware of their right to appeal any decisions made under the terms of guarantees/warranties.
101. Green Deal Providers must clearly set out in a Green Deal Plan any provision which requires customers to provide reasonable access for works and/or on-going maintenance of installed improvements and allows Green Deal Providers to opt not to deal with a particular problem if such access is refused by the customer.
102. Green Deal Providers must ensure that disputes arising in connection with the guarantees can be referred to a mediator if the parties concerned cannot reach an agreement within 28 days. The mediator is to be appointed and paid for by the Green Deal Provider.

- Green Deal Providers must provide details of their guarantee arrangements to the Oversight and Registration Body in their annual report, including details of the insurance required under paragraph 94 of this Code of Practice.
- 103.
- If Green Deal Providers are utilising industry schemes, they must ensure that the schemes they are using meet the requirements set out in Schedule 3 of the Framework Regulations.
- 104.