



NATIONAL ASSOCIATION
OF MOTOR AUCTIONS

NAMA NEWS MARCH 2018

Dear Colleagues,

In this month's newsletter we cover a number of issues, particularly around the current vehicle market and the general economy, including our own NAMA report, a full summary of the Chancellors Spring Statement and the interim report issued by the FCA on their Motor Enquiry.

As you will be aware, we are currently updating the NAMA Appraiser Courses we offer. It is important that we keep the courses as relevant and up to date as possible. We are holding a grading group meeting on 10 April, where we will be discussing the scheme. It is important we have as much engagement from members on this and would encourage members to attend. If you would like to be there and have not already confirmed your attendance, please email louise.woods@rmif.co.uk.

This year's NAMA AGM is approaching fast! It will be held on the weekend of the 27 & 28 April at the Sheraton Hotel, Lisbon, Portugal. Please note that the venue is now fully subscribed and we will be sending our more details to those attending closer the time.

We have sent letters to members informing them of a new initiative we have started - the NAMA Parliamentary Engagement scheme. We will be arranging auction site visits for local constituency MPs. The aim of the scheme is to encourage parliamentary engagement and raise awareness of the significant contribution that the motor auction industry makes to the economy of the UK. We have already had some interest and have arranged some upcoming MP visits for members. If you would like to take part, please contact our NAMA policy officer, James Waring – james.waring@rmif.co.uk

Finally, if you have any comments about the newsletter, please let us know.

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AUCTION ACTIVITY REMAINS STABLE IN FEBRUARY

NAMA has published its monthly car auction data report for February 2018.

The report shows that overall in February:

- First time conversion rates increased by 3.7% to 85.3% from January
- Average selling value increased 6.2% from £5,542 to £5,884 from the previous month, and was up a massive 16.7% from last February's figure of £5,041
- Average mileage was down by -1.7% to 64,611 from January, and was down by -3.3% on the same period last year
- The first time premium was -£43 – a significant -81.4% decline on last month's figure of -£231

Auction activity remained buoyant in February, indicating that retail activity is still strong.

In general, feedback received within the market revealed some frustration among buyers as stock levels made it more difficult to buy the desired level of stock.

However, it will come as welcome news that more stock is expected to hit the wholesale channels as a result of the March plate-change, but buyers should be aware that as seen in previous years, it can take until the third week of the month before this stock hits significant volumes.

The full NAMA Car Auction report is available from NAMA on request.

NAMA PARLIAMENTARY ENGAGEMENT PROGRAMME

NAMA has recently launched a Parliamentary Engagement Programme where we are arranging for local MPs to visit motor auctions.

The aim of the scheme is to encourage parliamentary engagement and raise awareness of the significant contribution that motor auctions make to the economy of the UK. It is also an opportunity for MPs to obtain a better understanding of how auction houses are operated, the significance of the site to the local area, and the employment and business opportunities available in the sector.

We are actively engaging with government on the following policy issues which could be discussed with your local MP at these site visits:

- **Interchange Fee Regulations**
The removal of the 50p cap on transaction fees has resulted in a dramatic rise in the cost of taking payments. Also, earlier this year, the Government banned the right for businesses to apply surcharges and to not allow businesses to offset the additional cost. NAMA's findings suggest the combination of these changes will cost the motor auction industry almost £1.8 million a year.
- **Diesel**
Current government policy on diesel and clean air is confusing. It is important that clear and consistent policies are outlined to give auction customers certainty when buying and selling vehicles.
- **Brexit**

It is important for businesses including motor auctions, that the UK gets the best possible deal from the Brexit negotiations. Engagement with government is key to this and will help to ensure the sector remains buoyant.

If you are interested in taking part in the NAMA Parliamentary Engagement Programme, please contact our NAMA policy officer, James Waring – james.waring@rmif.co.uk and we can arrange this for your site.

SPRING STATEMENT SUMMARY

The Chancellor of the Exchequer Philip Hammond presented his Spring Statement to Parliament on Tuesday 13 March 2018.

Below is a summary of key points announced in his statement:

Headlines

The Office for Budget Responsibility (OBR) expects the economy to continue to grow above initial estimates, increasing their forecasted growth for this year. They estimate the following growth in GDP:

- 2018: 1.5%
- 2019: 1.3%
- 2020: 1.3%
- 2021: 1.4%
- 2022: 1.5%

The UK's public borrowing has continued to decrease, falling by three-quarters since 2010. Borrowing for this year is forecast to be down by £4.7bn to £45.2bn.

The national debt, as a percentage of GDP, will fall by to the following:

- 2017-18: 85.6%
- 2018-19: 86.5%
- 2019-20: 85.1%
- 2020-21: 82.1%
- 2021-22: 78.3%
- 2022-23: 77.9%

The National Living Wage will rise to £7.83 on 1 April 2018.

Employment has risen by 3m since 2010 and is forecast to continue to grow by the following:

- 2018: 32.2m
- 2019: 32.4m
- 2020: 32.5m
- 2021: 32.6m
- 2022: 32.7m

Inflation is expected to fall in line with the Government's 2% target in the next twelve months.

Further Announcements

- The planned revaluations of business rates, due to take place in 2024, have been brought forward by three years to 2021.
- £80m has been committed to helping small firms support greater apprenticeship opportunities.
- Over £1.5bn has been allocated to departments and devolved administrations to help prepare for Brexit in 2018/19.

Other Government Plans announced

- A consultation into Van Vehicle Excise Duty – to encourage van drivers to choose cleaner vehicles the government will consult on reforming Vehicle Excise Duty (VED) for vans.
- A consultation into tax relief on ‘red diesel’ – examine whether “non-agricultural red diesel tax relief” contributes to poor quality air.
- A consultation exploring the possibility of a new VAT mechanism for online sales, to ensure tax actually reaches the Exchequer.
- To examine ways in which the Government can help small businesses deal with late payment culture.

UK NEW CAR MARKET DIPS IN FEBRUARY

The UK new car market dipped in February, according to figures released by the Society of Motor Manufacturers and Traders (SMMT). 80,805 new cars were registered, a -2.8% drop compared with February 2017, in what is traditionally one of the quietest months of the year ahead of the March number plate change.

Continuing recent trends, demand for petrol and alternatively fuelled vehicles (AFVs) rose in February, up 14.4% and 7.2% respectively, with the former driven by some new, smaller models coming to market. Registrations of new diesel cars declined -23.5%, a disappointing performance given the latest low emission vehicles can help address air quality issues.

So far this year, the UK new car market has declined -5.1%, with registrations by business, private and fleet buyers all down, -29.8%, -7.1% and -2.1% respectively.

Meanwhile, double digit growth for petrol and AFVs has been unable to offset the move away from diesel, which now commands a 35.6% market share. The discrepancy in demand suggests diesel car owners are keeping their older cars for longer.

February	Total	Diesel	Petrol	AFV	Private	Fleet	Business
2018	80,805	28,317	48,941	3,547	35,277	44,554	974
2017	83,115	37,020	42,787	3,308	36,015	45,700	1,400
% change	-2.8%	-23.5%	14.4%	7.2%	-2.0%	-2.5%	-30.4%
Mkt share 2018		35.0%	60.6%	4.4%	43.7%	55.1%	1.2%
Mkt share 2017		44.5%	51.5%	4.0%	43.3%	55.0%	1.7%

Year-to-date	Total	Diesel	Petrol	AFV	Private	Fleet	Business
2018	244,420	87,020	144,833	12,567	104,682	134,073	5,665
2017	257,679	115,925	131,167	10,587	112,729	136,882	8,068
% change	-5.1%	-24.9%	10.4%	18.7%	-7.1%	-2.1%	-29.8%
Mkt share 2018		35.6%	59.3%	5.1%	42.8%	54.9%	2.3%
Mkt share 2017		45.0%	50.9%	4.1%	43.7%	53.1%	3.1%

BEST SELLERS

FEBRUARY 2018			YEAR-TO-DATE		
①	Ford Fiesta	5,201	①	Ford Fiesta	13,536
②	Volkswagen Golf	2,927	②	Volkswagen Golf	7,237
③	Ford Focus	2,052	③	Ford Focus	6,157
④	Mercedes-Benz A Class	1,671	④	Vauxhall Mokka X	5,292
⑤	Ford Kuga	1,552	⑤	Mercedes-Benz A Class	5,029
⑥	Vauxhall Mokka X	1,525	⑥	Nissan Qashqai	4,896
⑦	Mini	1,239	⑦	Ford Kuga	4,132
⑧	Mercedes-Benz C Class	1,199	⑧	Kia Sportage	3,774
⑨	BMW 3 Series	1,173	⑨	Mercedes-Benz C Class	3,677
⑩	Kia Sportage	1,152	⑩	Vauxhall Corsa	3,634

Image source: SMMT

FCA MOTOR ENQUIRY – INTERIM REPORT



The Financial Conduct Authority (FCA) issued an interim report on their Motor Enquiry on 15 March 2017. Below is a summary of the key points.

Key points:

- Work so far: found that the largest lenders' approach to credit risk and asset values appears robust.
- The growth in motor finance has been strongest for lower credit risk consumers, who are less likely to face repayment difficulties.
- Work: focusing on how lenders assess affordability and whether current procedures are working in the interests of consumers.

FCA Next Steps:

- Consumers must have sufficient, timely and transparent information when taking out motor finance – FCA is testing this in a number of ways, including through a mystery shopping exercise.
- Work: assessing whether firms are complying with current regulatory requirements and whether consumers are being given the right kind of information, at the right times, to make informed decisions.
- “We are undertaking further work on responsible lending, particularly the approach taken by motor finance lenders to assessment of creditworthiness (including affordability). Our work

will be primarily (but not solely) focused on assessments for higher credit risk consumers (lower credit score).”

- Conducting further work in relation to commission arrangements à can be a “strong link between the dealer commission and the interest rate charged to consumers. This can create incentives for dealers to arrange motor finance at higher interest rates.”
- Work: includes whether lenders and brokers acting on their behalf comply with current regulatory requirements. We are also testing whether commission structures have led to higher finance costs for consumers, because of the incentives they create for brokers
- Expect to complete review of motor finance market by end of September 2018.

We will keep members updated on further developments.

LEGAL UPDATE



ARE YOU READY FOR THE GENERAL DATA PROTECTION REGULATION?

Data Security

The GDPR has effectively rewritten the Data Protection Directive, the mainstay of current data protection regime. From May 2018, the GDPR will have a significant effect on your responsibilities when storing data and the uses you can put data to. All businesses are affected, particularly where they use customer details for marketing purposes or exchange them with other businesses in any way. Failure to get this right can result in fines, or worse.

In this series covering this significant change to the law, we look in more detail at the requirement for data security when processing and retaining data.

Appropriate Technical and Organisational Measures

There have always been controls over data security. One of the 8 principles established by The Data Protection Act 1998 required data controllers to put in place

“Appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.”

This requirement is continued into the GDPR under Article 5.

When considering what technical and organisational measures should be taken you should consider the nature, scope, context and purposes of processing as well as the risk of varying likelihood and severity for the rights and freedoms of natural persons. The more sensitive the data held and/or the greater the risk should the data be compromised, the greater steps will need to be taken to secure it.

That does not mean that the Information Commissioner's Office will expect all data to be secured using the most sophisticated measures. You are entitled to consider the costs of implementation and weigh this against the risks.

The GDPR identifies some common security steps that can be considered where appropriate. These include

- the pseudonymisation and encryption of personal data;
- the ability to ensure the ongoing confidentiality, integrity, availability and resilience of processing systems and services;
- the ability to restore the availability and access to personal data in a timely manner in the event of a physical or technical incident;
- a process for regularly testing, assessing and evaluating the effectiveness of technical and organisational measures for ensuring the security of the processing.

Are there any standards that can be used?

There are 2 main data standards currently within the UK; PCI DSS and ISO27001. Whilst there is no requirement at law to utilise any particular standards these can help demonstrate that appropriate technical and organisational measures are being used.

What does this mean in practice?

Whilst the GDPR puts data security at the heart of data protection and does put more stringent requirements in place, the position will remain broadly the same. If appropriate technical and organisational measures were in place under the DPA then you are likely to be complying significantly with the GDPR.

That said security is a continuing requirement. If you haven't reviewed your processing and procedures recently then they may no longer be appropriate. You should ensure that they are regularly assessing the data processes and the technical and organisational steps taken to protect it.

The more serious the outcome the more significant technical and organisational measures for protection will have to be.

Conclusion

Data Security is one of the major risks of data processing. Breaches of security attract not only the highest fines, but also put companies at risk of compensatory payouts as well. Significant steps should be taken to ensure that data is taken, used stored and destroyed securely

The above is a very broad overview of one aspect of the GDPR. The legislation and guidance is still developing in the weeks and months in the run up to their implementation. This advice is general in nature and we will endeavor to keep you informed through regular articles and case studies.

Motor Industry Legal Services (MILS)

AUTO TRADER REFUTES CAR FINANCE BUBBLE CLAIMS

- Auto Trader's Market Report reveals that motor finance will be key to fueling the used car market in 2018 and beyond
- Finance bubble far from burst, with used car finance penetration predicted to reach 40% by 2023

- Auto Trader says retailers missing ‘huge’ opportunity to benefit from growing consumer propensity for finance
- Sales of new generation diesel vehicles harmed by anti-diesel rhetoric, says Auto Trader

The car market faces a twin assault caused by misunderstandings about car finance and the environmental performance of new vehicles – that’s the key finding of the latest Market Report from Auto Trader, the UK’s largest automotive marketplace for new and used cars.

The report addresses common misconceptions that surround the car finance market, and seeks to correct misplaced comparisons with the housing market, sub-prime consumer lending in the US, and other forms of consumer credit. The Report spoke to 4,000 consumers and includes data and insights from Auto Trader’s marketplace, which hosts an average of 55 million cross platform visits from car buyers each month.

82% of drivers who had recently bought a car on finance said the final purchase was either within or below their initial budget, and the seriousness with which consumers take the repayment of car finance supports the view held by the Governor of the Bank of England, Mark Carney, who has noted in the past that car finance repayments are unlike most products bought on credit given the fundamental role that the car continues to play in people’s lives.

The growing cynical view in the City that car finance is a credit bubble waiting to burst is simply not warranted says Auto Trader.

Auto Trader CFO & COO, Nathan Coe, said: “Finance is not only crucial for new and used car sales generally, but it holds the key to cleaner motoring in the UK. The cleanest are also the most expensive. We need car financing to thrive if more people are going to switch to electric and hybrid vehicles.

“59% cent of recent car buyers who did not choose an electric vehicle said it was due to the upfront cost, yet with no increase in grants by the UK Government and prices for new electric cars rising, it’s hard to see how electric adoption can be accelerated in the UK without finance playing a pivotal role.

“It is crucial that the issue of car finance is fully understood and that these misunderstandings are addressed, given that financing of the car market is so important for the economy and for the livelihoods of UK car buyers.”

A year of used, driven by finance

The Report also highlights the increased role finance will play in growing the second-hand car market. Auto Trader predicts that penetration of used finance will reach 40% by 2023 – approximately a 10% increase on the current level of penetration. A key factor in this growth will be the increase in younger cars entering the market, driven by the typical three-year Personal Contract Purchase (PCP) renewal cycle. In January 2013 approximately 69,000 cars advertised on Auto Trader were aged between two and four years old. As of January 2018, that figure is closer to 93,000.

The younger the car the more expensive they’ll be, which is supported by data from the Auto Trader Retail Price Index. The average price of a used car in 2017 was £11,819, which on a like-for-like basis, was a 4% increase on 2016. Finance has the potential to make younger, more desirable used cars more affordable and accessible for a wider audience.

The Report highlights the appetite amongst consumers for finance. 52% of car buyers said that they already consider the cost of a car as a monthly price rather than the full retail price, which underpins just how fundamental finance has become in today’s car buying journey.

37% of car buyers claim to have bought on finance because it enabled them to spread out their payment monthly, 36% to get a better deal, and revealingly 36% because they couldn't afford to purchase a car otherwise. Over a third of car buyers (37%) said that finance enabled them to buy a 'better' car, however, better is subjective. When asked what the term meant for them, their answers varied: 'higher spec', 'bigger car', 'newer model', 'less mileage', 'more reliable' and 'premium looking'.

The research also highlighted that for many car buyers, finance is a confusing process, particularly amongst younger car buyers who are more likely to rely on finance to pay for their car. In fact, 1 in 4 (24%) 17-34-year-olds buying on finance found it difficult to understand the options available to them, compared to just 8% of over 55s. And those yet to buy their car find it more difficult than those that have already gone through the process; 28% compared to 16%.

As Nathan explained, it's here retailers have a huge opportunity: "There is massive potential for finance to grow the used car market in 2018; the conditions are right, and clearly there is significant appetite amongst today's car buyers. However, making the financing of used cars more competitive, accessible and easier to understand for buyers will be a crucial step in taking advantage of this opportunity. In an industry where there is increasing competition and complexity, it is vital that retailers give themselves the very best chance of success; getting finance right will unquestionably be key to unlocking growth within a market that is three times the size of new car.

"Contrary to the negative commentary, the finance bubble is anything but set to burst. It's going to grow, but only if the industry and the government allow it to do so."

The Report revealed how finance has shaped buying behavior: those using finance typically pay 68% more than those buying their car outright (£17,087 vs. £10,142). However, the research revealed that it's not encouraging irresponsible spending, with the clear majority (82%) of car buyers purchasing on finance claiming to keep within their set budget.

Whilst it's clear finance plays a key role in today's car buying process, the research raised questions to whether consumers fully understand its complexities. Less than a quarter (23%) of car buyers purchasing on finance consider APR as the most important element in influencing their decision, with over half (53%) conducting little or no research on rates. In terms of gender split, women (20%) are potentially less concerned than men (27%). This highlights that car buyers are far more likely to be influenced by the headline monthly rate cost itself rather than the APR.

Source: Auto Trader

DATES FOR YOUR DIARY

NAMA Executive Meetings, London Offices

Tuesday 10 July 2018

Tuesday 2 October 2018 (All members)

NAMA AGM 2018

27/28 April 2018, Lisbon, Portugal