



European
Commission

Market study on the functioning of the market for second hand cars from a consumer perspective



Why a study?

The second hand cars' market was the lowest performing market among the 21 goods markets in the 8th Consumer Markets Scoreboard (2012), which was also the case in 2010 and 2011. It scored lowest for three years in a row on consumer trust in dealers complying with consumer protection rules, and also performed poorly on comparability, consumer satisfaction and incidence of problems.

Key findings

Prices, car mileage and age across the EU and different sales channels



- 54% of EU28¹ respondents bought their most recent second-hand car from an **independent dealership**, 42% from a **franchise dealership** and the remaining 4% from an auction. Buying from a franchise dealership was twice as common in the EU15 (46% vs 23% in the EU13).
- **The average second-hand car** was **6.2 years** old and had been driven **87,000km** previously. Both were lower in franchise dealerships (4.3 years, 62,000km) than independent dealerships (7.6 years, 104,500km) or auctions (8.0 years, 120,000km). They were significantly higher in the EU13 (7.1 years, 122,000km).
- **The average second-hand car price from the consumer survey was €9,358** (€12,700 at a franchise dealership, €7,000 at an independent dealership or at auction). The highest average prices were found in Scandinavia, Portugal and Luxembourg.
- Approximately **4%** of EU28 respondents bought their second hand car **from abroad**, (13% in the EU13). 42% of all imported cars come from Germany and **the trade flow is predominantly from EU15 to EU13 countries**.

Dealer practices: providing information to consumers



- Between 21 and 27% of survey respondents **did not receive information** on CO₂ emissions, consumer rights to a 'legal guarantee', maintenance costs, the safety/security reputation of the car, mileage checks to verify odometer accuracy or the car's accident history. A further **12 to 19%** was **unsure** whether or not they had received this information.
- During the mystery shopping exercise, only **5% of traders spontaneously provided information on consumer rights regarding a legal guarantee**.
- A **commercial guarantee** was much more common in franchise dealerships (75%) than independent dealerships (53%) and auction houses (42%) and much more common in the EU15 (66% vs 41% in the EU13).
- Less than 25% of dealers conveyed to mystery shoppers that the **coverage provided by the commercial guarantee** on offer was in addition to the legal guarantee.

¹ EU 28 refers to all 28 Member States in the European Union. 'EU13' refers to the 13 countries that have joined the EU since 2004, whereas EU15' refers to the 15 countries that became members of the EU prior to 2004

Looking to buy a second hand car



- The main reason for 55% of respondents buying a second-hand car was due to **deficiencies with their previous car** (damage, small car size, high maintenance).
- The main features consumers took into account when buying their second-hand car were **price** (64%), **car mileage** (35%), **car brand/manufacturer** (27%), **mechanical condition** (26%) and **age** (26%).
- The trader's affiliation with a **quality label/code of conduct** had a **low influence** on the consumer's choice. Membership of a **trade association** had even less impact.
- The most commonly used information sources were **internet car portals**, consulted by 48% of consumer respondents.
- Only 32% of respondents have a lot of **knowledge** about cars in general and only 29% have a lot of knowledge about the information that second-hand car traders are obliged to give to them.
- **Consumer trust was rather low** and varied between the different sales channels (7.3 out of 10 for franchise dealers, 6.4 for independent dealers and 4.6 for auctions).



Problems and detriment

- **41% of EU28 respondents** (60% in the EU13, 59% of those buying at auctions and 57% of those buying from abroad) **reported experiencing problems within a year**, beyond expected wear and tear.
- The **most common problem types** were: battery/electrical (experienced by 15% of all buyers), tyres, wheels and suspension (12%), brakes (11%) and car exterior/bodywork (10%). In some EU13 countries, certain problems (odometer fraud, undisclosed accident), were reported 2-3 times higher than the EU average.
- **40% of all problems** experienced occurred within **one month of car purchase**.
- A guarantee covered only 27% of respondents' biggest problems.
- The average problem(s) cost consumers €518 to resolve.
- The **total annual consumer detriment for problems** that occurred within one year of purchasing a second hand car was estimated between **€1.9 and €4.1 billion in the EU28²**.
- When complaining to the trader, **20% of respondents did not receive any refund, repair, replacement or documentation** in order to fix their problem.
- A significant 25% of EU28 respondents (44% in the EU13) experienced at least **one unfair commercial practice** from the dealer.

Recommendations

The study recommends that Member States should better enforce existing legislation³ to ensure that dealers provide transparent and truthful information to consumers and that they do not omit important aspects related to the characteristics of the second hand car. Both findings and recommendations can be used for Member States to support their policy initiatives (e.g. awareness raising campaigns on guarantees, more vigilant enforcement in relation to information provision, measures to prevent odometer fraud).

The proposed remedies to improve consumer conditions are addressed to a range of stakeholders such as traders and their associations, automobile clubs, consumer organisations and consumers themselves.

More information:

http://ec.europa.eu/consumers/consumer_evidence/market_studies/second_hand_cars/index_en.htm

http://ec.europa.eu/consumers/consumer_evidence/market_studies

² taking into consideration the reasonable expectations respondents had with their car prior to purchase

³ e.g. Directives: 2005/29/EC on unfair commercial practices, 1999/44/EC on guarantees, 2011/83/EC on consumer rights (in particular pre-contractual information on the existence of guarantees)