

Part 4. Alternative Dispute Resolution Regulations

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Introduction to ADR

When there is a dispute between a consumer and a trader, there are a range of options for resolving the dispute without going to court. These options can often be quicker and cheaper, and lead to a more satisfactory solution, than taking legal action. The law seeks to promote the use of 'alternative dispute resolution' (ADR) by ensuring that suitable options are available in all consumer disputes, and requiring traders to inform consumers whether they are willing to use ADR.

What is ADR?

ADR is any process for the resolution of a dispute out of court. The simplest and most common form of ADR is direct negotiation, and this often leads to a solution. Where direct negotiation does not resolve the dispute, a range of other options may be available. In broad terms, ADR can take two forms:

- in some types of ADR, the process allows the parties to the dispute to decide their own outcome, often with the help of a neutral third party. This is typically the case for direct negotiation, conciliation and mediation
- in other types of ADR, the outcome is decided by someone who is not a party to the dispute. This is what happens in adjudication, arbitration and ombudsman schemes

Is ADR compulsory?

ADR is generally not compulsory for motor traders unless it is required by the rules of a trader's trade association or by the term of a contract. It may be compulsory, however, in relation to other services offered by a motor trader. For example, if the trader sells financial services (for example, offers a payment plan) then, under financial services legislation, the trader will, in general, be obliged to engage in ADR for such services. Such a trader will need to place details of the Financial Ombudsman Service (FOS) on its website and in its terms and conditions for its financial services.

Where ADR is not compulsory, businesses can, if they wish, voluntarily sign up to an approved ADR scheme.

A full list of [CTSI-approved ADR providers](#) is maintained on the Chartered Trading Standards Institute

website.

Current approved Motor Trade ADR Schemes include [The Motor Ombudsman](#) and the [National Conciliation Service](#).

See also 'Alternative dispute resolution' in part 3.

ADR information requirements

Although traders do not have to agree to use ADR for a consumer dispute (unless it is compulsory for them by law, by scheme membership or by contract), they are required to provide certain information about ADR to consumers.

Where a trader is considering a consumer complaint, at the point where the trader's internal complaint-handling procedure is exhausted, they must provide the consumer with the following information:

- a statement that the trader cannot settle the complaint with the consumer
- the name and website address of an ADR provider that could deal with the complaint, if the consumer wishes to use ADR
- whether the trader is obliged or prepared to submit to an ADR procedure operated by that provider
- in other words, the trader has to give the consumer details of an ADR provider but does not have to agree to use ADR

The information must be provided in a 'durable medium' (for example, a letter or an email) and it will normally form part of the final 'deadlock' letter in response to a consumer complaint.

Further information can be found in the '[Alternative dispute resolution](#)' guide.

[< Part 3. Consumer Contracts Regulations](#)

[> Part 5. Price Marking Order / Payment Surcharges Regulations](#)

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