Alternative dispute resolution

The Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015 are relevant to all businesses that make contracts with consumers, no matter how small or large

This guidance is for England, Scotland and Wales

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INTRODUCTION

The legal background

In this guide, the words 'must' or 'must not' are used where there is a legal requirement to do (or not do) something. The word 'should' is used where there is established legal guidance or best practice that is likely to help you avoid breaking the law.

What is alternative dispute resolution?

Alternative dispute resolution (ADR) means any method of securing or facilitating an out-of-court resolution of a dispute that is carried out by an independent third party, who acts in relation to both parties to the dispute.

The Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015 (the ADR Regulations) affect all traders that sell goods and services to consumers, with the exception of a very small section of health sector contracts.

A 'consumer' is an individual acting for purposes that are wholly or mainly outside of that individual's trade, business, craft or profession. The ADR Regulations are not applicable to business-to-business contracts. For example, where a consumer buys a TV from a trader, the legislation would apply; if, however, a garage bought a TV to use in a waiting area, it would not be applicable.

The Regulations are relevant to all business legal structures, whether working from business premises or at home. Businesses are subject to the dispute resolution requirements if their internal complaints-handling process has not been able to resolve a dispute. At that stage, they are required by law to inform the complainant about the process, and their obligation or willingness to engage in ADR. In some sectors, ADR information may be required on the trader's websites and business documents, such as order forms.

The ADR landscape

ADR has been part of the consumer protection environment for many years. Consumers may be aware of schemes such as those offered by the Association of British Travel Agents (ABTA), the Financial Ombudsman Service (FOS), and the Civil Aviation Authority (CAA).

Prior to 2015, access to ADR schemes was largely dependent on the trader being a member of a trade body, without guidelines addressing the consistency or fairness of the process to be followed.

The ADR Regulations were introduced to widen the opportunities for traders and consumers to have access to a simpler, more consistent and less costly way for both parties to resolve a dispute.

Many traders are members of, and make good use of, trade association bodies and 'trusted trader' schemes. These bodies provide traders with access to ADR schemes where they can escalate a complaint that they are unable to resolve through their own internal complaints procedures. In consumer disputes, ADR is compulsory in a number of business sectors. For example, for most financial services, consumers can insist that their complaint be decided by the Financial Ombudsman Service.

Consumers are generally encouraged to try ADR, even where the trader's use of such mechanisms is voluntary. An agreement by both parties to use ADR to solve a dispute can help maintain the business relationship, as well as show the consumer that the trader is willing to find a resolution. However, a trader cannot compel a consumer to use ADR.

Court protocols require parties to consider whether ADR will enable them to settle their dispute without resorting to legal action. There is an expectation that all parties will try everything reasonable to resolve matters before issuing a court claim. Traders and consumers may be required to give evidence to the court that they have considered using ADR.

Changes to the law

The Digital Markets, Competition and Consumers Act 2024 will be making changes to how ADR works. However, at the time of publishing, it is not known when these changes will come into force.

THE ADR PROCESS

How alternative dispute resolution works

Benefits of ADR

ADR procedures are often quicker than court proceedings, which is of benefit to both businesses and consumers. The cost of ADR is often free to the consumer, or at the very least the cost is considerably less than when using the courts. Procedures are often completed in private and conducted confidentially, avoiding the risk of adverse publicity and reputational damage that could arise from a court case.

In some types of ADR (such as mediation), the parties to the dispute decide the outcome themselves rather than having it imposed on them.

ADR can be more flexible than strict rules of law, in terms of outcomes and how it applies. It may, therefore, be possible to achieve outcomes that a court could not order, or to get a result that both parties think is fairer than that dictated by law.

ADR procedures can be less confrontational or adversarial than court proceedings. Not only can this reduce stress, it can also be an important consideration for a fruitful ongoing relationship.

If either party takes the dispute to court, showing a willingness to use ADR prior to, and during, court proceedings may avoid the application of additional costs by the court. Solicitor's costs cannot normally be recovered for cases taken through the Small Claims Track of the County Court (or, in Scotland, the Simple Procedure in the Sheriff Court), even for the successful party.

Traders that do not provide the information required by the Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015 leave themselves open to having action taken against them by local Trading Standards services under Part 3, Chapter 3 of the Digital Markets, Competition and Consumers Act 2024.

Types of ADR

There are a variety of ADR mechanisms that businesses and consumers can access. Common forms include:

- mediation (a third party facilitating a resolution)
- arbitration and adjudication (a third party deciding a dispute)
- early neutral evaluation (a third party giving an informed opinion on the dispute)
- ombudsmen schemes

Criteria for ADR bodies

- ADR bodies must comply with a list of criteria if they are to become approved for the purposes of the legislation. These include detailed rules on how an approved ADR body is to operate; this is to ensure that the parties have confidence in the ADR process. The criteria list covers: how the ADR body can be accessed
- expertise, independence and impartiality
- conflict of interest, ensuring that the ADR body acts impartially
- transparency
- effectiveness
- fairness
- legality
- reasons why the ADR body can refuse to deal with a case

Competent authorities

Competent authorities are bodies that approve against the criteria in the Regulations, and monitor the continued compliance of approved ADR bodies. Currently the competent authorities are:

- Financial Conduct Authority
- Legal Services Board
- Civil Aviation Authority
- Gambling Commission
- Office of Gas and Electricity Markets (Ofgem)
- Office of Communications (Ofcom)
- the lead enforcement authority for the purposes of the Estate Agents Act 1979
- Chartered Trading Standards Institute (on behalf of the Secretary of State for Business and Trade)

Trader requirements

The Regulations define a trader as "a person acting for purposes relating to that person's trade, business, craft or profession, whether acting personally or through another person acting in the trader's name or on the trader's behalf".

All traders, except for those operating in a small section of healthcare provision, are legally obligated to provide a consumer with certain information once a consumer dispute reaches deadlock.

Deadlock happens when both the consumer and the trader have worked through the trader's own internal complaints procedure, and an agreeable resolution has not been found.

The trader must provide the consumer with the following information:

- a statement that the trader cannot settle the complaint with the consumer
- the name and web address of an approved ADR provider that could deal with the complaint
- whether the trader is obliged or prepared to submit to an ADR procedure operated by the ADR body they have named

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.

Neither the trader nor the consumer are obligated by the Regulations to use the ADR procedure, but both should consider the implications of not doing so before issuing court proceedings.

For some business sectors, the trader must publish information about the dispute resolution scheme on their website and in their general contract terms. This is where it is required by a regulator, such as the Financial Conduct Authority, or by membership of a trade association. The schemes may also require the trader to agree to use ADR if the consumer wishes to. The trader may have a choice of which scheme to join. This is the case, for example, for estate agents and telecommunications businesses.

A full list of approved ADR bodies is maintained on the CTSI website. Some of the approved schemes cover specific sectors or specific types of dispute, while others have broad coverage. This means that businesses should be able to identify an approved scheme whatever the nature of their business and their dispute.

There will also be ADR schemes that are not approved by a competent authority. If a trader is considering using a non-approved scheme, they should make their own enquiries and checks as to its suitability.

The following are some examples of how ADR can work in practice. Please note that the company names given below are fictional.

Example 1

Mrs White bought a lawn mower from Oak Garden Centre two years ago, and wrote to complain that it wouldn't start. The company tried to reach agreement with Mrs White, but she felt that they were not resolving her complaint fairly. Oak Garden Centre felt that they could not get any further with the complaint. The business wrote to Mrs White, telling her that the complaint could not be resolved, and gave Mrs White the name and web address of an approved ADR body that would be suitable to deal with a complaint of this nature. Oak Garden Centre is not a member of any trade body. They value their customers and want to retain Mrs White as a customer if they can. Therefore, they advised Mrs White that they will be happy to go through the ADR process.

Example 2

Mr Black had a new boiler installed and noticed that the wall next to where the boiler was fitted had plaster knocked out. Oasis Builders had carried out the work; they felt that the wall had been damaged after the boiler was fitted and, therefore, it was not their responsibility to repair it. Mr Black and Oasis Builders were unable to come to an agreement. Oasis Builders are a member of a trade body, and a condition of their membership is that they must offer to enter into ADR with a consumer when a dispute reaches deadlock. Mr Black was already aware of this before he agreed that Oasis Builders could carry out the boiler work; he had seen this detail on their website, and there had been mention of it in the terms and conditions provided before the boiler was fitted. Oasis Builders displayed the name and web address of the ADR body on their website. The ADR body is approved to provide ADR in consumer disputes. Oasis Builders also supplied the details of the name and web address of the provider in a letter to Mr Black. If Mr Black wishes to use the ADR process, Oasis Builders are obliged to engage due to the trade body's requirements.

Example 3

Ms Green bought new designer shoes from Regency Shoes. After two weeks, the sole was coming away and she took them back to the shop. Regency Shoes felt that the shoes looked as though they had been chewed by an animal, which had caused the damage; therefore, they refused to refund or replace the shoes for her. Regency Shoes provided Ms Green with a letter, stating that they did not agree that the shoes were faulty. It gave Ms Green the name and web address of an approved ADR body, but went on to state that they would not enter into this process with her. This meant that the only course of action for Ms Green was to take the matter to court. The court may penalise Regency Shoes for not agreeing to participate in ADR. Possible penalties include imposing costs or sanctions.

Example 4

Edge to Edge Gardening Design is a landscape garden business, which completed some work for Mr Brown. Its team had laid some turf and planted two borders. The turf began to die, and Mr Brown felt that Edge to Edge Gardening Design had laid poor quality turf. Edge to Edge Gardening Design did not agree. They are not a member of a trade body, and there is no law to say that they must agree to ADR with Mr Brown. However, Edge to Edge Gardening Design know that they need to maintain their reputation. When they sent a letter to Mr

Brown, setting out the outcome of the internal complaints process, they gave the name and web address of an accredited ADR body, and told Mr Brown that they are happy to use the process to see if they can reach an agreement.

Example 5

Beam Building Services operates as a general builder and they are a member of a trade body. To be a member of the trade body, Beam Building Services must adhere to the code of conduct, or they could lose their membership benefits. Part of the 'code of conduct' states that if members have a dispute with a consumer and are unable to resolve it satisfactorily, they must be willing to use ADR. Mrs Grey had work carried out in her bedroom and contacted Beam Building Services to say that some of the plaster had cracked. Beam Building Services did not feel that this had any link to the work that they had carried out for Mrs Grey. Beam Building Services then told Mrs Grey that there is information on their website, and in the terms and conditions provided to her at the time when the work was agreed, about who she needs to contact for ADR. The company also sent her a letter with the name and web address of the ADR body that can deal with this dispute, and said that they are happy to engage in the ADR process.

Summary

In summary:

- ADR can be a powerful way of resolving disputes quickly and without recourse to the courts
- while it is not always mandatory, many trade bodies require their members to join ADR schemes
- ADR schemes are audited for approval by competent authorities in their relevant fields

All traders (except those in a very small sector providing health services) must, at the point that a dispute with a consumer cannot be resolved internally, supply the name and web address of an approved ADR provider in the appropriate sector. The trader must indicate whether they will engage in the ADR process. The information must be provided to the consumer in a durable form.

Traders that are obligated to use ADR by a code of conduct through membership of a trade body or by a regulator must also provide the name and web address of the ADR provider or scheme on their own website (if they have one) and as part of their general contract terms.

LEGISLATION ETC

The laws featured in this guide / update information

Trading Standards

For more information on the work of Trading Standards services - and the possible consequences of not abiding by the law - please see 'Trading Standards: powers, enforcement and penalties'.

In this update

Changes to reflect amendments in the court rules and practice directions. This Business in Focus guide has also been combined with the In-depth Guide on ADR, which has been deleted.

Last reviewed / updated: July 2025

Key legislation

- Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015

Please note

This information is intended for guidance; only the courts can give an authoritative interpretation of the law.

The guide's 'Key legislation' links may only show the original version of the legislation, although some amending legislation is linked to separately where it is directly related to the content of a guide. Information on changes to legislation can be found by following the above links and clicking on the 'More Resources' tab.