



## Compensation Fund Q&A

### When was the fund established?

The Motor Dealer Customer Compensation Fund (MDCCF) was established by the Provincial Legislature in 1995.

### Why was the fund established?

The fund replaced a \$15,000 dealer bond that could be used to compensate consumer losses due to the failure of the dealer to perform their obligations in a contract. The primary purpose of the fund is to compensate for eligible losses when a dealer has gone out of business.

### How did the creation of the fund benefit consumers?

The fund improved consumer protection. The bond provided just \$15,000 in total protection per dealer, and payments for losses to multiple consumers were divided into that amount. The Compensation Fund now provides up to \$20,000 in protection per consumer. Additionally, the claims adjudication is by a knowledgeable, independent tribunal, not a distant insurance company.

### How did the creation of the fund benefit dealers?

Although the legislation calls for an annual required contribution from all dealers, the Compensation Fund assessments can be on an *as-needed* basis through the use of a waiver. In contrast, bond costs are an annual expense. Annual costs can range from \$150 to \$300 or more per year for a \$15,000 bond. With this increased consumer protection, dealers can add the Compensation Fund to the list of benefits of buying from a licensed dealer.

### What types of losses are eligible for compensation?

- Losses during the purchase or lease of a new or used vehicle
- Losses resulting from the purchase of an extended warranty or service plan
- Losses due to the sale of a vehicle on consignment

### What claims are not eligible?

- 50% or more of use or intended use of a vehicle is for business purposes
- The claim relates to a dispute about cost, value or quality of the vehicle, such as its mechanical condition
- The claim is made more than two years after the dealer refuses or fails to pay

### Why can't the assessment be less than \$300?

The legislation sets the annual contribution at \$300 from all licensed dealers in BC payable at time of renewal. This contribution can be waived if the fund is sufficient to meet claims.



## Can there be additional assessments?

The legislation also allows the Registrar to require an additional annual assessment of up to \$600 if the fund is insufficient to meet claims. Such an assessment is due within 21 days of the Registrar ordering it. To avoid surprise additional assessments, a \$1 million minimum has been set for the fund. This amount is based on the history of prior claims.

## Who administers the fund?

The B.C. Minister of Finance holds the funds in trust. Fund investment and management remains with the Ministry of Finance and all dealer payments are transferred to the Ministry.

The Motor Dealer Customer Compensation Fund Board is the independent body that decides who is entitled to compensation. Since 2004, the VSA has been providing administrative and investigation support in compliance with the *Motor Dealer Act and Motor Dealer Customer Compensation Fund Regulation*.

## Who is on the independent tribunal?

The MDCCF Board has three members representing the public and two representing the vehicle sales industry. The board members are appointed by the VSA Board of Directors.

## What rules guide their decisions?

Detailed policies that outline claims intake, initial dispute resolution, and the adjudication process can be found on the [VSA website](#). These policies were developed to abide by the legislation, administrative fairness, general legal principles, and to establish consistent and efficient adjudication processes.

## What is the current Compensation Fund balance?

Despite active claims management and ongoing contributions from new dealers that are required to contribute to the fund a minimum of three years, the fund has slipped below the \$1,000,000. This was the threshold set as a prudent minimum balance. Barring a significant increase in claims, the annual contribution from every dealer at the time of licence renewal should allow the fund to operate above the minimum threshold for two or more years.

### Compensation Fund Balance History

