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For Immediate Release

## **Competition Commission accepts commitments offered by seven car distributors to remove car warranty restrictions**

The Competition Commission (“Commission”) today announced the acceptance of commitments offered under section 60 of the Competition Ordinance (“Ordinance”) by seven car distributors, namely *Cartel Motors Limited*, *Dah Chong Hong Holdings Limited*, *Inchcape International Holdings Limited*, *Kam Lung Motor Group Limited*, *Motor Image (HK) Limited*, *Sime Darby Motor Group (HK) Limited*, and *Vang Iek Holdings Limited*, following an investigation into the imposition of restrictive warranty terms and conditions (“warranty restrictions”) on passenger car owners. The acceptance of these commitments will result in the complete removal of these warranty restrictions, and thus addresses the Commission’s concerns about a possible contravention of the First Conduct Rule of the Ordinance.

The commitments cover the following 17 passenger car brands: Audi, BMW, Citroen, Ford, Honda, Jaguar, KIA, Land Rover, Lexus, Mazda, MINI, Mitsubishi, Nissan, Subaru, Suzuki, Toyota and Volkswagen.

The Commission’s investigation, which covered a wide range of car distributors and brands operating in Hong Kong, revealed that the abovementioned seven car distributors have imposed warranty restrictions requiring maintenance and/or repair services to be carried out at authorised repair centres, regardless of whether the maintenance or repair item was covered by the warranty.<sup>1</sup> Customers who did not follow this requirement would be at risk of having their warranties become invalid. The Commission considers that these restrictions might deter passenger car owners from using independent car repair workshops during the warranty period, which could in turn limit the ability of such workshops to compete with authorised repair centres. This might also reduce car owner’s choice of service and ultimately lead to higher prices for maintenance and repair services.

In response to the investigation, the seven distributors offered commitments not to enforce the existing warranty restrictions and not to include them in new warranties issued to passenger car owners. They also offered to make corresponding amendments to their warranty documentation and to communicate the changes to existing customers within 90 calendar days after the commitments come into effect.

The Commission commenced a consultation on the commitments offered by the car distributors on 1 August 2022. Having carefully considered the representations received in the consultation process, the Commission found it appropriate to accept the commitments.

The commitments have come into immediate effect today and will remain in force for a period of five years. As the car parts covered by a warranty will vary depending on the warranty policy, existing and

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<sup>1</sup> Examples of items not covered by the warranty are repairs unconnected to manufacturing defects, and are usually provided at an additional cost to the passenger car owner. For example, a non-warranty repair could be one necessitated as a result of an accident.

potential car owners should check their warranty policy to understand the scope of the coverage and any exclusions.

Mr Rasul Butt, CEO of the Commission, said, “With the Commission’s acceptance of the car distributors’ commitments today, passenger car owners can enjoy the immediate benefit of having the choice to take their vehicles to independent car repair workshops for maintenance services or non-warranty repairs, without the risk of having their warranty voided on the basis that their car was not serviced or repaired at an authorised repair centre. This will in turn facilitate a level-playing field for the independent workshops to compete with authorised repair centres, which may ultimately lead to lower prices for maintenance and repair services for car owners.

We consider accepting commitments to be an appropriate enforcement outcome for the case, as it offers an effective, speedy and proportionate resolution addressing the Commission’s concerns in a targeted manner.”

As set out in section 61 of the Ordinance, the Commission can withdraw its acceptance of commitments in certain circumstances, including where there has been a material change of circumstances or the person giving the commitment has failed to comply with it.

Together with the final commitments from each of the seven car distributors, the Commission has published a notice of acceptance to provide further information on the matter, including responses to various issues raised in the representations submitted during the consultation. These documents are available on the Commission’s website at [www.compcomm.hk](http://www.compcomm.hk).

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## **Notes to the Editor**

### Commitments under section 60 of the Ordinance

Under section 60(1) of the Ordinance, the Commission may accept a commitment from a person to (a) take any action, or (b) refrain from taking any action, where it considers this appropriate to address its concerns about a possible contravention of a competition rule.

If the Commission accepts commitments, it will terminate its investigation and not bring proceedings in the Competition Tribunal regarding the matters covered by the commitments. This is subject, however, to the ability of the Commission to withdraw its acceptance of commitments under the conditions provided for in section 61 of the Ordinance, including where there has been a material change of circumstances or the person giving the commitment has failed to comply with it.

The Ordinance does not require Parties offering commitments to make any admission of a contravention.