businesscompanion
trading standards law explained

Introduction

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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 consumer contract dispute that is carried out by an independent third party, who acts in relation to both parties to the dispute.

The Digital Markets, Competition and Consumers Act 2024 (DMCCA) affects all traders that sell goods, services and digital content to consumers. For ADR purposes, this includes almost all contracts between a business and a consumer.

The Act is 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.

If a business's internal complaints-handling process has not been able to resolve the dispute, the business must inform consumers if there is an ADR or other arrangement available to them (whether that is a legal requirement, through membership of a trade association, or simply voluntary). See 'Trader requirements' in 'The ADR process' part of this guide for more information.

Businesses that are not willing to engage in an ADR process do not have to give consumers any information about it. However, if a case goes to court, the business's lack of engagement in ADR may have an impact on the court case's outcome.

Definitions

For the purposes of Part 4, Chapter 4 of the DMCCA (which covers ADR), traders and consumers are defined as follows.

"'Trader' means 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."

For guidance on whether someone is a trader acting in a business capacity, see 'Am I in business?'.

"'Consumer' means an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession."

The ADR landscape

ADR has been part of the consumer protection environment for many years, offering consumers a formal way of dealing with disputes against businesses without having to resort to court action.

The DMCCA replaced the Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015 on 6 April 2026. It strengthens the criteria that ADR providers must meet and unifies oversight of ADR schemes. Under the old system, ADR providers did not have to obtain approval, which was done via bodies known as 'competent authorities'. However, traders were only allowed to refer consumers to approved providers (consumers could approach non-approved providers themselves).

After a public consultation, the Government concluded that the quality of ADR could be improved by having one regulator to set, apply and monitor the standards of the ADR providers by providing accreditation; all ADR providers must now be accredited, except in the circumstances outlined below. The Chartered Trading Standards Institute (CTSI) was appointed to perform this role.

Under the DMCCA, CTSI is known as a 'relevant authority', but in its day-to-day activities related to ADR, it will continue to be known as a 'competent authority', and it is referred to as such in this guide.

ADR providers that were 'approved' under the 2015 Regulations will need to be 'accredited' under the DMCCA, and there is a transition period in place (see below).

If the ADR provider is not accredited, it may only carry out ADR in relation to a consumer contract dispute if it is an exempt provider (see 'Exempt ADR providers and redress schemes' in the next part of this guidance).

If an ADR provider makes 'special ADR arrangements', these must be carried out by a person / provider who is either accredited or exempt. A special arrangement is where an ADR provider asks another person / organisation to carry out ADR on its behalf for one or more consumer contract disputes. If, for example, traders have a two-stage ADR process, but only carry out the first stage themselves (escalating to another provider for the second stage), that is a special arrangement, and the other provider must be either accredited or exempt. The same applies if traders delegate their entire ADR process to another provider.

The DMCCA applies the requirements to contractual disputes. These could relate to anything done before or during the making of the contract, the obligations under it, or the performance of those obligations by either party.

Many traders are members of, and make good use of, trade association bodies and 'trusted trader'

schemes. These provide traders with access to processes where they can escalate a complaint that they are unable to resolve through their own internal complaints procedures. In addition, many businesses are members of the Approved Code Scheme, where access to ADR is mandatory.

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.

Transition period

Traders can refer cases to providers approved under the earlier Regulations until 7 January 2027. If the ADR provider has applied for accreditation, the transition period lasts until the date that the application is granted, refused or withdrawn. Once accreditation is granted, the provider will be working under the new system. If you are providing ADR and are not yet accredited, you can find information on the accreditation process on the CTSI website.

> The ADR process

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