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NEXT ISSUE: The Risk of Buying and Selling Real Estate for Profit

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EXTENDED WARRANTIES VS CONSUMER GUARANTEES ACT

We all know that the new tv we buy comes with a manufacturers warranty. We have all had the sales person ask if we also want to spend more to receive an extended warranty. But have you heard about the Consumer Guarantees Act, which neither the manufacturer's warranty nor the extended warranties can override?

As long as you are a "consumer" you are covered by the Consumer Guarantees Act 1993 ("CGA"). The CGA defines a consumer (using the tv as an example) as a person buying the tv from the shop not intending to sell that tv or use it as part of that person's business. So a person buying the tv to use at home is a consumer but a motel owner buying the tv to put in one of her units is not.

The item brought must also be something ordinarily brought for personal, domestic or household use. That means a consumer buying a car is covered by the CGA but a consumer buying a bulldozer, even if he intends to use it for himself, is not because a bulldozer is not something ordinarily acquired for personal, domestic or household use.

Once a consumer buys goods of a kind ordinarily acquired for personal, domestic or household use, the CGA applies and provides for certain warranties.

For instance there is a statutory guarantee that the tv will be of an acceptable quality which means that it is fit to be used as a tv would normally be used, it is free from defects and it is acceptable in appearance and finish.

Additionally, the tv you take home must comply with the sample tv you looked at in the store and there must be

reasonable facilities for repair and parts for that tv in New Zealand for a reasonable period after the tv is sold to you. Unless it is made clear at the time of sale that such facilities are not available.

The period of the guarantee under the CGA depends on the type of goods sold. That means something from the \$2 shop will have a markedly shorter guarantee period than a tv or a car. The question is how long would the item reasonably be expected to last? If for example the tv broke down within a reasonable period of time (perhaps 3 or 4 years) you would have the right to have it repaired or replaced by the shop from which you brought it, or by the manufacturer. Whether the tv is repaired or replaced is up to the shop and/or manufacturer.

So is it worth paying extra for the extended warranty? The answer to that is "it might be". If you are not a consumer, or if the item you are buying is not such that it is an item ordinarily obtained for personal, domestic or household use, then it may well be beneficial. Even if you are a consumer, and depending on the wording of the extended warranty and whether you are prepared to stand up for your rights under the CGA in the Disputes Tribunal or Court if necessary, then the extended warranty might appeal to you.

It all really depends on you. But it is important for you to know that the CGA exists, that it provides free protections for a consumer which cannot be overridden by the manufacturer or the shop. It is always prudent before signing up to something like an extended warranty that you read the terms of the warranty and obtain advice if you do not understand them especially before agreeing to pay for something you may not have to pay for.