

MEDIA RELEASE

Acting Commissioner of Consumer Affairs

3rd January 2013

Extended Warranties in the Spotlight

Northern Territory Consumer Affairs announced today it will focus on extended warranty providers this summer as part of a nationwide consumer protection operation.

Consumer Affairs Acting Commissioner, Sandra Otto, said fair trading agencies across Australia had raised serious questions about the value of extended warranties, and whether they offered any greater protection than what is already provided by the Australian Consumer Law (ACL).

“Most consumers will be familiar with the offer of an extended warranty, particularly when purchasing electrical equipment or whitegoods,” Ms Otto said.

“For a fee, you can often extend the warranty on the product you’ve just purchased beyond the period provided by the manufacturer. The truth is however, in almost all cases, consumers are already protected by consumer guarantees or ‘statutory warranties’ under the ACL.

“Consumer Affairs officers will be surveying extended warranties in the marketplace in the coming months and assessing whether they measure up to the ACL and any claims made by retailers. In the meantime, consumers considering any extended warranties should ask what they offer above and beyond their existing rights, and decide if they are worth the extra money,” Ms Otto said.

Ms Otto said the ACL offered consumers a number of protections against faulty products, products that don’t last a reasonable time, and those that don’t perform as expected – the very reasons people are tempted to buy extended warranties.

“One of the key guarantees under the ACL is that goods sold are of acceptable quality. Among other things, this includes durability. Goods must function for a reasonable time after purchase without breaking down. What constitutes a ‘reasonable time’ is determined by the price and nature of the goods and any statements made by the manufacturer or supplier. Put simply, you would expect a \$100 toaster to last longer than you would a \$10 toaster. Another guarantee requires that products perform in line with any claims made by the supplier.”

“When suppliers or manufacturers make extra promises about such things as the performance or characteristics of goods, an ‘express warranty’ is established. For example, a new mattress may come with a two-year manufacturer’s warranty, but if the supplier tells you the mattress will last 10 years, they are providing you with an additional guarantee, or express warranty, and must honour that claim. What this means for consumers is that suppliers and manufacturers are not in the clear once the formal warranty expires.”

Ms Otto said in addition to protecting consumers who inadvertently bought faulty products, the ACL made it illegal for retailers to make false or misleading claims about extended warranties.

“Any retailer who claims an extended warranty provides consumers with extra protection when it simply offers what they already get for free under the ACL face hefty fines — up to \$220,000 for an individual and \$1.1 million for a corporation. Retailers have legal obligations to consumers and cannot avoid these by claiming that their rights are only available through an extended warranty,” Ms Otto said.

Consumers who require any further information should contact Consumer Affairs on 1800 019 319 or email consumer@nt.gov.au.