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Your Rights: Consumer Guarantees Act

The Consumer Guarantees Act 1993 ('the Act') provides guarantees for consumers on goods and services ordinarily acquired for personal, domestic and household use. The Act also applies to gifted goods and services. The Act imposes on retailers, manufacturers and service providers automatic guarantees ensuring that:

- goods are of acceptable quality,
- goods and services are fit for the purpose they were acquired for,
- goods and services match any advertising/promotion claim(s) made by the sales consultant,
- ownership of the good must pass to the consumer once it is purchased,
- goods and services must be of a reasonable price if no price has previously been agreed upon,
- services are performed with reasonable care and skill,
- services are completed within a reasonable period of time.

Manufacturers have the added obligation of ensuring spare parts and repairs are available for a reasonable time after purchase and any written warranties are honoured. No trader can contract out of the Act unless the trader is supplying to a business.

Redress

If a defect is discovered in a good or service, and it is relatively small, the retailer can choose to either repair, replace or refund the affected good or service provided the fault is remedied within a reasonable timeframe. If the defect cannot be restored in a timely manner or the defect is substantial, the consumer has the right to reject the product or service.

Substantial defects in good and services are where:

- the goods and services would not have been acquired by a reasonable consumer had they known of the nature and extent of the failure, or
- the goods are significantly different from the description, sample or demonstration provided by the supplier, or
- the goods and services are substantially unfit for the purpose, or the product generated through the service

is of such a nature and quality that any particular results cannot be expected from it, or

- the goods and services are unsafe.

In rejecting the good or service, the consumer is entitled to choose a replacement of a similar type or value, or they can demand a full refund of the purchase price. Any refund must be in cash, cheque or credit card reversal. The Act also allows consumers to cancel service contracts and claim for compensation for any decrease in value of the product or service.

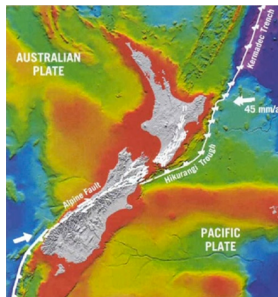
Consumers can also claim for losses that are reasonably foreseeable and are causally linked to the breach of a guarantee. For example, if a new lawnmower is faulty, the consumer can claim for lawn-mowing services or

hiring a replacement lawn-mower while the original mower is being repaired. In situations where a retailer is not co-operative or has ceased to trade, consumers can lodge a complaint to the manufacturer. Consumers can also direct their concerns to the Disputes Tribunal, the Commerce Commission or any relevant industry body complaints service.

So next time a retailer tells you “we have a no returns/refund policy”, politely remind them their policy is unlawful. Even if the items are on sale/clearance, they are subject to all the guarantees provided under the Act.

Off the Richter

New Zealand is internationally renowned for its breathtaking and diverse landscape, however less publicised, until recently, is the fact that we are situated between two major fault lines. Consequently seismic activity is also an undeniable feature of life in our remarkable land. The recent Canterbury earthquakes are a timely reminder of this fact and in light of this here are some key points to keep in mind if you are a tenant, landlord or home-owner.



building consents are unobtainable and insurance payments are inadequate to facilitate a timely restoration, the lease is terminated. If premises are uninhabitable and require demolition or reconstruction, the landlord may cancel the lease giving the tenant 20 working days notice.

In the absence of a lease, the Property Law Act 2007 provides similar remedies in the event of specified natural disasters. Landlords can recover rental losses through their insurance providers if they are covered for loss of rent and outgoings.

Residential Tenancies

In the event of a natural disaster, the Residential Tenancies Act 1986 allows both the landlord and tenant to terminate the tenancy. Where a home has been damaged to the extent that it is uninhabitable, no rent shall be payable until the home is reinstated so that the tenant can re-occupy. Alternatively, the landlord or tenant may wish to terminate the tenancy. If a tenant wishes to terminate the tenancy, the landlord must be given at least two days notice. Where a landlord wishes to terminate the tenancy, the tenant must be given at least seven days notice. In situations where the home is partially damaged, the rent may be proportionately reduced or either party may apply to the Tenancy Tribunal for an order terminating the tenancy.

Residential Property

In the event of an earthquake or natural disaster, homes, personal possessions and land are automatically covered by the Earthquake Commission (EQC) - provided home-owners have pre-existing private and fire insurance policies. The EQC provides cover for:

- damages of up to \$100,000 caused to homes,
- personal possessions of up to \$20,000, and
- for loss of land value based on a professional valuation.

Any value over and above these amounts may be covered under existing private insurance policies. Claims to the EQC need to be made within 30 days of the damage occurring but can be extended to three months in some circumstances.

Daniel and Tony presented a Seminar to a client last year on the obligations of importers, distributors and retailers under the Act. If you would like to discuss holding a similar seminar please be in touch with us.

Commercial Leases

The Auckland District Law Society (ADLS) Lease, the most commonly used commercial lease, allows for the termination of the lease in the event of a natural disaster. In situations where the damages render a property uninhabitable, the lease is terminated instantly. Where the damages are partial, rent shall be abated and the landlord is required to use insurance monies to repair damages as quickly as possible. If the necessary

Changes to the Employment Relations Act

Recent changes to the Employment Relations Act ('ERA') introduce legislative amendments aimed at promoting a more flexible relationship between

employees and employers. The changes are to take effect on 1 April 2011.

Adjustments to Personal Grievance Regime

Changes to the personal grievance regime are aimed at reducing compliance costs, improving resolution processes and reducing delays. The changes also create an interim step for dispute resolution before the authorities get involved. For example, one such change is that the Mediation Service is now able to make recommendations, which both parties have seven days to accept or decline, and if accepted the recommendations become binding.



The amendments also ensure that the Employment Relations Authority ('the Authority') acts more formally and consistently without jeopardising the investigative nature of its inquiries. The changes also allow the Authority to dismiss claims that are deemed to have no merit, and allows parties to cross examine witnesses during Authority investigations.

90-Day Trial Period

Another major change is the extension of the 90-day trial period to all employers, which was previously limited to employers with 19 staff or less. Statistics showed that 40% of employers said they would not have employed new staff if it was not for the 90-day trial period, and 75% of all job-seekers who worked under the trial period maintained their employment. As a result, the trial period allowed more job-seekers to enter the workforce as more employers were willing to hire new staff. The purpose of extending the 90 day trial is therefore to extend such benefits to a wider range of employers and employees.

Union Access

Gift Duty to be Abolished

Gifting your assets is set to become easier with gift duty due to be abolished on 1 October 2011. At present, gift duty is imposed on all gifts with a total value exceeding \$27,000 in any 12 month period.



The abolishment of gift duty will allow individuals to make gifts of any value in any one year without attracting gift duty and therefore not requiring the use of gifting programmes.

Background

Gift duty was established in 1885 with the purpose of protecting the estate duty base (through discouraging individuals from gifting away their assets prior to death) and to raise revenue. Estate duty was abolished in 1992, however, gift duty was preserved to guard against people taking advantage of social assistance regimes and provide protection to creditors.

Reasons for Abolishment

The abolishment has received broad approval from a range of government agencies including the Inland Revenue Department (IRD), New Zealand Treasury and the Ministry of Social Development. The key motivations

Unions will be required to gain the consent of the employer before accessing a workplace. Currently unions are able to enter workplaces without consent and without giving notice. The change is aimed at standardising current practices and recognises an employer's right to authorise who enters their premises. It will also allow employers to identify when union representatives are on site and to take measures to ensure business operations are not unduly disrupted. Consent must not, however, be unreasonably withheld and reasons for refusal must be provided within two working days. Failure to provide such reasons or withholding consent unreasonably may result in a penalty for breaching the ERA.

Communications during Collective Bargaining

Although direct communication with employees was never prohibited, there was a great deal of confusion surrounding the matter. The changes clarify that employers can directly communicate with employees during collective bargaining and can include details of any settlement offer. Any communication must be consistent with the employer's overriding duty of good faith under the ERA.

Employment Agreements

From 1 July 2011, employers are also required to keep original signed copies of employment agreements of every employee. Where an agreement has not been signed, a draft copy must be kept on record. Failure to comply with these requirements can result in a fine.

for the abolishment stem from a review by the IRD highlighting that gift duty generated exceedingly high compliance costs of \$70 million compared to the meagre revenue generated (\$1.6 million in the 2009/2010 year). It was also noted that gift duty was easily avoided through the use of gifting programmes and therefore no longer remained an effective tool. It also follows a large number of requests for thresholds to be raised and for the modernisation of administration processes.

Concerns and Cures

There are concerns that the abolishment of gift duty will see a significant rise in the creation of trusts and an increase in the number of transfers of assets into trusts. Concerns over 'social assistance targeting' relate to individuals deliberately impoverishing themselves to avoid assets being included in their assessment for social assistance, relationship property or to escape creditor liability. However the IRD, in its agency disclosure statement, deemed these risks as low and have suggested policy changes to counter any abuse of trusts – such as the Ministry of Social Development taking into account any asset transfers within the past five years of an applicant applying for social assistance. The family courts are also more closely scrutinising trusts

with regard to relationship property matters, and claimants access to those assets.

Concerns that the repeal will affect creditor protection in the event of a debtor going bankrupt has been deemed insignificant as other means of protection are readily available through the Insolvency Act, Companies Act and Property Law Act.

The establishment of a Trust Register, and requiring trustees to file annual financial statements, have also been recommended to the Law Commission for review as a means of monitoring and regulating trusts in New Zealand.

Snippets

Changes to the Holidays Act

With immediate effect, if a business has an annual 'shutdown' period and a public holiday (such as Christmas) falls on a day that an employee would normally work, the employee is entitled to be paid for the public holiday even though it occurs when the business is closed.



As of April 2011:

- employees will be able to exchange up to one week of annual holiday for cash provided their employer agrees to the request,
- employees will be able to transfer the observance of a public holiday to another predetermined working day with the employer's consent,

Dog Tails

Pearl, her extended family and Andre spent a relaxing holiday at Pukehina. Andre enjoyed the daily beach walks.

Tony and Pam were at home and managed to catch a feed when they were out in Hobson 1.

Daniel and Camille spent time in Sydney over the holidays and Daniel has just learned that he will need an operation on his ankle that was damaged while he was trail running.

Shayne has a very smart acrylic name plaque on reception desk. Shayne and her husband Peter have been busy redecorating the front of their butchers shop in St Heliers Village.

Sarah who was in the Trust Department will now look after our clients' leases and administration of properties formally handled by Suzanne.

Suzanne spent 10 days with her family in Perth and while not directly affected by the bush fires she was only 40km away.

Conclusion

Despite concerns regarding the abuse of trusts, the IRD deems the risks entailed with the abolishment of gift duty as arguably insignificant and heavily outweighed by the monetary benefits generated. It predicts that with the co-operation from affected agencies and implementation of the recommendations from the recent review of NZ Trust Law, any loop-holes will quickly be sealed.

For more information on this subject, please visit www.taxpolicy.ird.govt.nz/publications/2010-ris-gift-duty/gift-duty-repeal.

- for employees that have irregular hours and/or pay, the payment for sick leave, bereavement leave, public holidays and alternative holidays will be based on the average gross earnings for the previous 52 weeks or whatever lesser period the employee has been employed,
- employers will be able to request proof of sickness within the first three days of an employee being away on sick leave. Employers are to cover reasonable costs, such as doctor's fees, in obtaining such proof.

A guide to the changes will be available at www.dol.govt.nz before April 2011.

Sue McColl has her hands full three afternoons a week looking after her daughter, Samantha's three children, Georgia 6, Greah 3½ and 5 month old Briar-Rose.

Denise spent 2 weeks in Sydney with 80 young athletes for the Annual Trans-Tasman challenge with New South Wales.

If you have any questions about the newsletter items, please contact us, we are here to help.

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