**BUSINESS LAW**

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# 1.0 Introduction

The study will critically analyse the recent statement of the Australian Competition and Consumer Commission (ACCC) regarding the limitation of extended warranties over any products purchase from Australia. The present assignment will justify the criticism against the claim of ACCC. Moreover, it will identify the relevant law and previous case that has been instituted in the Australian Legal system.

# 2.0 Legal Issue

In the present case, the Australian Competition and Consumer Commission (ACCC) provide a claim about the extended warranties. The ACCC claims that it is actually a waste of money to purchase extended warranties because Australian Consumer Law has already forced the manufacturer and retailer to give a regardless protection of warranties to the purchase in the time of purchasing. Therefore ACCC wants to prohibit the purchasing of extended warranties. However, others disagree with the claim of the Australian Competition and Consumer (ACCC). Therefore the issue arises regarding the decision of ACCC. The present study will justify the criticism against the decision of ACCC.

# 3.0 Identification of relevant law

The law of Consumer in Australia provides the provision regarding the extended warranties. Under the provision of Australian Consumer Law, an arrangement in which a customer pays an amount to any other person who is agreeing to repair or replace any parts belonging to the customer. The parts that were replaced should attain any event of failure or defect in the course of performing its work is termed as Extended Warranty. The provider of this type of warranty generally prescribed this product covering the additional coverage of protection under existing warranties. However, it can be assumed that it is a trap to mislead consumers for the benefits of the manufacturer or retailer.

The Australian Consumer Law provisions are protected under the ***Competition and Consumer Act 2010*** governed by Australian Competition and Consumer Commission (ACCC)[[1]](#footnote-0). Any defect or misrepresentation of warranties leads the customers to ACCC for claiming the damages.

One of the famous cases regarding misrepresentation of warranties was ***ACCC v LG Electronics Australia Pty Ltd [2017] FCA 1047***. Though the case was dismissed by the federal court and provide judgment in favour of LG yet it captures a huge limelight. The case was instituted in the court by Australian Competition and Consumer Commission (ACCC) on 2017 alleging that LG Australia in continuously cheating with its customer regarding the replacement of the damaged products. Moreover, the company's manufacturer and retailer are misrepresenting to the consumer regarding the policies of the of the manufacture warranty. Therefore the ACCC instituted a case against LG Electronics goods under Australian Consumer Law. The ACCC argued that the official website of LG was misleading about the manufacturer warranties; therefore, it amounts in a breaking of rules and regulation induced by provisions of the ***Competition and Consumer Act 2010***. The honourable court dismissed the proceeding of the case[[2]](#footnote-1).

The Australian Consumer Law also provides the condition about treating the extended warranties as financial products. Generally, a customer affords an extended warranty to minimize the cost of repairing goods if the goods break down or develop any problem in performing any task. Under ***Section 12 Clause B Sub-clause AA Subsection 1 and 5*** of the ***Australian Securities and Investments Commission Act 2001*** states that extended warranties are basically financial products as their facilities can be gained only by the customer's financial contribution[[3]](#footnote-2).

There are two types of extended warranties such as Manufacturers’ Extended Warranties and Third-party Warranty provider. The Manufacturer’s Extended Warranties can be availed from date of purchasing the products. It also covers the incidental goods and ensures the quality of the purchased goods[[4]](#footnote-3). However, this type of warranties exempted the expenses that related to the quality of the goods. The warranty also exempted, if customers enhance its value of coverage into a different level. Moreover, the warranty is not applicable to those purchases by the customer, if the customers face the problem just after purchasing the goods. However, it is also not applicable for those goods in which sale of contract separate and deliberate the purchasing decision related with both purchasing of the goods and the extended warranties.

The third-party warranty provider the extended warranties to those customers who are purchasing the goods from the retailer[[5]](#footnote-4).This type of warranties might be delivered on the behalf of the retailer. However, this type of warranties does not provide in the term of incidental purchasing. Moreover, this type of warranties can be termed as financial products.

# 4.0 Justification of Criticism

An extension of time of coverage for the Standard warranty can be term as Extended Warranty. The customer can expand the time by paying an amount to the warranty provider. That means the customer is actually securing the time period for its belonging goods[[6]](#footnote-5). The retailer actually incorporates the extra scoop of time regarding the extension of coverage in of security period. However, the retailer actually misleads in the procurement process.

In recent time the seller offer extended the warranty or the extra bunch of care expanding the time period provided by the producer during the purchase of the products[[7]](#footnote-6). Some of the retailers provide an offer of extended warranties with the additional assurance on the products purchased by customers. Some retailer provides the offer during the purchasing time of the products that would cost little to the customers. However, most of the retailer does not provide knowledge regarding manufacturer’s extended warranties that have already provided to the customers during the purchase of the products.

In recent time the Australian Competition and Consumer (ACCC) provides the third party extended warranties must be prohibited because the Australian law had already the force to manufacturer and retailers to provide regardless protection of warranties to the customer from date of purchase of the products[[8]](#footnote-7). The commission stated that the policies of extended warranties provide a financial loss for customers. Moreover, the supplier of the products is breaching the rules and regulation provided by the ***Competition and Consumer Act 2010.***  However, it is the statement of the Australian Competition and Consumer (ACCC) is not absolutely true as the extended warranties are optional. Suppliers can breach the law only if they provide an unwanted burden or use a biased strategy to the customer for buying the extended warranties. Moreover, if the supplier misinforms the customer regarding compensation rights provided under the customer's assurance.

The retailers also provide various offers in the extended policy of the warranties served by them for the benefits of the customer. Most the claim of the retailer for the extension of warranty provides for gaining the retention of the customers and loyalty of them towards the customers. It has been seen in the previous survey that customers probably deal with the faithful dealers that provide magnificent communication and offer to its customers. In order to gain a strong customers base the retailer often provide various incentive and offers in the policy of extended warranties. Moreover, the retailer claims that a decent extended warranty should provide help with 24 hrs of the working day. On the contrary, the statement of Australian Competition and Consumer Commission (ACCC) is nullified because the retailer’s extended warranty policy helps the customer to regain more incentive regarding its purchasing. The extended offer also helps to improve relations within the dealership. The decent extended warranties do not only claim in only pursue an extended offer. However, it builds a relationship with the dealer. The quality of the security also increases with the help of the relationship. However, the extended policy not only helps to minimize the cost but it also builds a relationship with the retailer. On the other hand, the claim of ACCC is not applicable as the customer to foremost contact with retailers from where the products have been purchased. The policy of extended warranties will help the customers to prevail various offers. Moreover, it might cause a financial loss of the customer yet it minimises the cost of the repairing of the products. However, the Australian Consumer law has provided various rules for enforcing the protection to the customers regarding purchasing of the products though prohibition of the extended warranties not only hamper the interest of retailer, it also provides problems for the customer to induce various offer regarding purchasing. Therefore, the claim of the Australian Competition and Consumer Commission (ACCC) is not absolutely true

# 5.0 Conclusion

It can be concluded from the above analysis that the statement of Australian Competition and Consumer Commission (ACCC) is not applicable for all the products purchased by customers. The policy of extended warranties might increase the price of the products, though it is very necessary to build a relationship with the consumer and retailer. Moreover, it is needed because it helps to resolve the problem within 24 hours of the working day. There is the law that forces consumers to get protection for the products that have been purchased yet it only provide in repair or replacement of the damaged parts only. Hence, consumers do not lead to various levels of coverage for their product that been consumed.

1. Legislation.gov.au Competition and Consumer Act 2010 (2017) Cited at: https://www.legislation.gov.au/Details/C2017C00369 (visited on 23/09/2018) [↑](#footnote-ref-0)
2. Timebase.com.au ACCC v LG Electronics Australia Pty Ltd [2017] FCA 1047 9 (2017) Cited at: https://www.timebase.com.au/news/2017/AT04381-article.html (visited on 23/09/2018) [↑](#footnote-ref-1)
3. Legislation.gov.au Competition and Consumer Act 2010 (2017) Cited at: https://www.legislation.gov.au/Details/C2017C00369 (visited on 23/09/2018) [↑](#footnote-ref-2)
4. Accc.gov.au Warranties and refunds a guide for consumers and business (2015) Cited at: https://www.accc.gov.au/system/files/Warranties%20and%20refunds%20-%20a%20guide%20for%20consumers%20and%20business.pdf (visited on 23/09/2018) [↑](#footnote-ref-3)
5. Corones, S.G., *Competition law in Australia*. (2014) Thomson Reuters Australia, Limited. [↑](#footnote-ref-4)
6. Altman, J. and Ward, S., Competition and consumer issues for Indigenous Australians: A report to the Australian Competition and Consumer Commission by the Centre for Aboriginal Economic Policy Research, the Australian National University, Canberra (2018). [↑](#footnote-ref-5)
7. Corones, S.G., Christensen, S.A. and Howell, N., Submission to Australian Consumer Law Review Issues Paper (2016). [↑](#footnote-ref-6)
8. Leigh, A. and Triggs, A., Markets, monopolies and moguls: The relationship between inequality and competition. (2016) *Australian Economic Review*, *49*(4), pp.389-412. [↑](#footnote-ref-7)