

Fair Trade Act

What is the Fair Trade Act?

- The Fair Trading Act makes it illegal for traders to mislead consumers, give them false information, or use unfair trading practices.
- The Act applies to advertising and selling of goods and services by traders.
- The Act applies to services, new and second-hand goods, auctions, as well as commercial sales. However, it does not apply to sales considered as “private.” An example is a garage sale.

Add ons and hidden fees

- Businesses must clearly state the full cost to purchase a product or service upfront, allowing the consumers to make an informed decision about whether to purchase that product/service or not. This means all additional costs or charges that a consumer will pay as a result of their purchase should be clearly specified, including things such as delivery and essential parts.
- An example is:

A business advertised mobile phones for sale. The price was only available if the purchaser was a new connection to a certain cellular network. However, there were additional charges for joining and disconnecting from that particular network that were not identified. This business was convicted and fined.

•Comparative Advertising

- Many stores claim to have the 'lowest prices' for their products and back this up with claiming you give you a certain discount if you find the same product cheaper at another store.
- For example, 'Bunnings Warehouse' advertises the fact that they have the lowest prices and say that you will get a 15% discount if you find the same product cheaper somewhere else. Stores have to follow through with these claims, or it is seen as a breach of the Fair Trading Act.

•Environmental Claim

- Consumers are entitled to rely on any environmental claims made about a product or service and to expect these claims to be truthful and not misleading. When businesses make environmental claims (about sustainability, carbon efficiency, use of natural products) they should ensure that the claims are accurate by being scientifically tested and substantiated.
- For example, a bag claims to be made of natural products and 100% recyclable, but the claims were proven to be inaccurate. The brand would receive a formal warning from the Commerce Commission and may result in bad publicity for the brand through media interest.

Use of Agents and Telemarketers

- A business is responsible for anything its staff when they are selling a product or service; this includes door-to-door selling. Also, it is important to have a system in place to ensure that there are no misinterpretations that could deceive and confuse a customer.

It is vital for a business to properly educate their staff on a product or service before allowing them to advertise through means such as door-to-door.

- For example, an internet company decided to engage in door-to-door selling to promote their product. However, the staff sent out gave inaccurate information and some customers were put on the plan without their consent. The company will be fined and convicted giving misleading information to their customers.

Pricing

- Businesses must make sure that consumers aren't misled or deceived. The Fair Trading Act covers pricing of goods and services. Any representations a business makes about price must be clear and accurate.
- For example, a Supermarket chain advertised that customer could save 'at least 25%' on their beverages. However, some drink brands are now past their expiry date and the claim of saving 25% off was misleading as some items were available for the 'sale' price afterwards. The retailer would be convicted and fined in this situation.

Fine print

- With all advertising, the first impression or “pitch” made on a potential customer is extremely vital as they make decisions based on that of the first or overall impression. However, a multitude of advertisements include fine print sections containing details of conditions and of qualifications; it should not be used to conceal vital information which may hinder a person's decision to buy goods or services. If the impression given by an advertisement is misleading, it breaches the Fair Trading Act no matter what information is provided in the fine print.
- Example: “A tv advert said that there was 25% off all items storewide... but it says that it excludes kitchenware products in the fine print.”

Health and Nutrition Claims

- The Fair Trade Acts states that it is illegal to mislead consumers about the characteristics, nature, manufacturing process, or make a false representation that goods are of a particular kind, standard, or quality. Health and nutrition claims of a product must not mislead consumers. They must be able to rely on the information provided to them in packaging in order to make an informed position.
- Example: A company claims through an infomercial that their product could drastically reduce likelihood of lung cancer. However, this was untrue and the company was convicted and fined.

Bait Advertising

- Such practices where a product is advertised without being able to satisfy the likely demand is bait advertising and is prohibited by the Fair Trading Act.
- Example:
An advertisement offering discounted airfares, but states no limit on the offer.