

SINGAPORE “LEMON LAW” PASSED IN PARLIAMENT
*Amendments to Consumer Protection (Fair Trading) Act,
Hire Purchase Act and Road Traffic Act commonly referred to as
“Lemon Law”, to take effect from Sept 2012*

1 The Bill for the proposed amendments to the Consumer Protection (Fair Trading) Act (CPFTA), the Hire Purchase Act (HPA) and Road Traffic Act was passed in Parliament today. Minister of State for Trade and Industry Teo Ser Luck said in Parliament that the amendments will expand and make more explicit the remedies available to both consumers and businesses, as well as clarify timelines and burden of proof.

2 Mr Teo said: “Introducing such a law in Singapore will bring us in line with international jurisdictions, and assure both locals and tourists that the products they buy are of good quality, thus improving the image of the retail industry in Singapore.

3 “The amendments will serve to make the existing consumer protection framework even more robust. In drafting this Bill, we have taken great care to ensure that it is both pro-consumer and business-friendly.” (See Annexes A and D for an overview of the Lemon Law.)

4 The amendments to the CPFTA, the HPA and the RTA were first tabled in Parliament on 14 February 2012. This follows from consultations conducted with consumer and business bodies since end 2010.

5 The amendments will make the transactional process between buyer and seller more open and transparent, with clearer rules on the burden of proof, and more certainty about the recourses available. (See Annexes B and C for more details on the rules for clearer burden of proof and on the recourses available.)

6 To assist motor traders to defray costs and encourage them to offer replacements for lemon vehicles, the Ministry of Transport and the Land Transport Authority have also proposed amendments to the Road Traffic Act. The amendment would allow the transfer of the Additional Registration Fee (ARF) and Certificate of Entitlement (COE) from a defective vehicle to a replacement vehicle, provided the defective vehicle meets a set of criteria.

7 Singapore’s “Lemon Law” is expected to come into force from 1 September 2012. This would allow sufficient transition time for industry.

ANNEX A

“Lemon Law” Frequently Asked Questions

1. What are “lemon laws”?

“Lemon laws” are laws protecting consumers against defective goods that fail to conform to contract, or meet satisfactory quality or performance standards at the time of purchase, colloquially known as “lemons”.

2. Why is there a need for the proposed amendments?

The proposed amendments make it clearer that a defect found within 6 months is presumed to have existed at the point of delivery. These laws will make the transactional process between buyer and seller more open and transparent, with clearer rules on the burden of proof, and more certainty about the recourses available.

With “lemon laws” in place, there are now additional remedies (e.g. repair and replacement) beyond just rejecting the goods and getting a refund.

The amendments will assure both locals and tourists that the products they buy are of good quality, and improve the image of the retail industry in Singapore. It will also foster good business practices among retailers.

3. What are the recourses under the proposed amendments?

The retailer may first offer to **repair** or **replace** the defective good within a reasonable period of time and without significant inconvenience to the buyer.

However, if repair or replacement is not possible or reasonable (e.g. disproportionately costly), or the repair or replacement was not done within a reasonable period and without significant inconvenience to the consumer, he/she may keep the defective good and ask for a **partial refund**, or return the defective good for a **full refund**. The full refund amount will take into account the state of the good resulting from the consumer’s use.

4. How do you define what is a Lemon or what is a defective product?

The Lemon Law applies when there is non-conformity to the sale contract at the point of delivery, e.g. the product does not meet reasonable performance expectations and is not of satisfactory quality. The quality of the product includes aspects such as being fit for its purpose, appearance and finish, freedom from minor defects, safety and durability.

5. For how long are goods covered under the proposed amendments?

If a defect is found within six months of delivery, it is assumed the defect existed at the time of delivery, and the Lemon Law provisions apply, unless the retailer can prove otherwise, or if such a presumption is incompatible with the nature of the goods (e.g. goods with a short life span such as consumables and food which are not expected to last beyond their normal shelf-life). Beyond six months, the burden falls on the consumer to prove that the defect existed at the point of delivery.

6. Under what conditions would consumers not be entitled to a remedy?

Consumers are not entitled to a remedy if (i) they had damaged the item; or (ii) they had misused it and caused the fault; or (iii) they had damaged it while trying to modify or repair it themselves or through a third party; or (iv) the consumer had known about the fault before they bought the goods; or (v) they had simply changed their mind and no longer wanted the item.

7. What should retailers note about the proposed amendments?

As required under laws such as the Sale of Goods Act and the Hire Purchase Act, retailers should ensure that the goods they sell match their description or are fit for their purpose as marketed and promoted. Descriptions include information and details on the good that can be found on the label, packaging, posters or any other print material, or given verbally by the sales representatives.

Retailers should point out defects or limitations, if any, to the consumer before the consumer buys the good. The retailer will not be held liable for defects which the consumer is proven to know about before he/she buys the goods. For clarity, the retailer may document such defects and limitations e.g. on the sales contract, invoice or packaging.

8. Are second-hand goods covered under the proposed amendments?

Used goods are covered under the new law, but the law will take into account the age and price paid for the goods to ascertain whether or not a claim of defect is reasonable.

ANNEX B

Burden of Proof and Expanded Remedy Options

A key change introduced by the amendments is clearer burden of proof. Under the proposed law, if a product is not in conformity to the sale contract within six months of delivery, it is assumed that the defect existed at the time of delivery. Unless the retailer can prove otherwise, the wider range of remedies provided for in the Lemon Law provisions will apply.

Clearer rules on burden of proof

In the first six months, a consumer could claim that a defect was present at the time of the sale and hence argue that the good was not of satisfactory quality and thus seek redress. If the retailer rejects this view, the consumer could take the matter to court. The judge would then look to the retailer to refute the presumption of unsatisfactory quality with reasonable evidence.

Consumers are not entitled to a remedy if:

- They had damaged the item, or
- They had misused it and caused the fault, or
- They had tried to repair it themselves or had someone else try to repair it, which then damaged the item, or
- The consumer had known about the fault before they bought the goods, or
- They had simply changed their mind and no longer wanted the item.

Expanded Remedy Options for Consumers and Retailers

The amendments also introduce a two-stage framework for consumers when seeking remedies:

Stage 1

Consumers can ask the retailer to **repair**, or to **replace** the defective product. If the cost of one remedy is disproportionate in comparison or not possible, the retailer can choose the other remedy (See Annex C - Example 1).

Stage 2

If the retailer failed to repair or replace the goods within a reasonable time or without significant inconvenience to consumer, or if repair and replacement is impossible or if the cost is disproportionate, the consumer may ask for a **reduction in price** (See Annex C - Example 2) or return the product for a **refund**.

Examples where consumers may seek remedies

Example 1 - If the customer's request for repair or replacement is not possible or reasonable, retailer may consider refund or discount

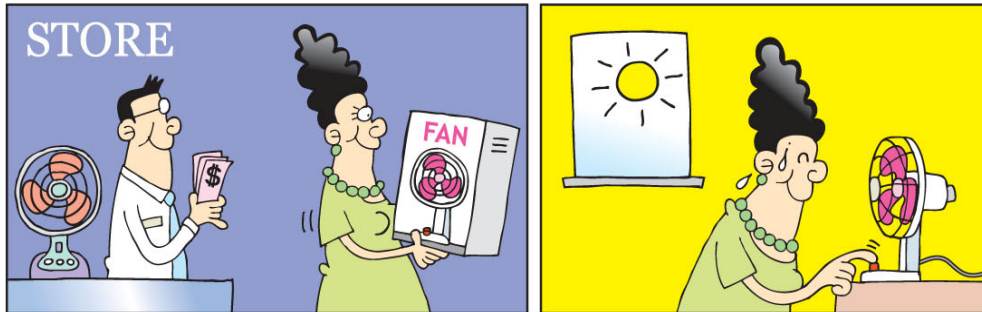
- If a table was only worth \$50 and a repair would cost the retailer \$75, then the retailer could decline such a request and offer a replacement, assuming he had a similar model of similar age in stock or had prompt access to one. If he had neither, then he could refuse both repair and replacement and instead provide the discount or refund remedy.
- If the stitching gives way on a pair of trousers, the customer would not be entitled to a replacement if the fault could be repaired within a reasonable time and at little inconvenience to him.

Example 2 - Getting a reduction in price for defective goods

- If a four-year old spin dryer had cost \$99 and a serious defect (which the consumer is able to show existed at the time of delivery) arose two-thirds of the way through its average length of life of 6 years, then the retailer might offer around \$33 as an adequate reduction in price. This is bearing in mind that the consumer would have been deprived of one-third of the typical period for which he should have enjoyed the good. Consumers should also take into account the fact that goods tend to depreciate more quickly in the early years of their life-span. If a consumer has had constant problems with a product since it was bought, such that he had never enjoyed any normal benefit from the product, then the retailer might be expected to offer him a full refund of the purchase price.

(The examples in Annex C are for illustration purposes and actual application will vary according to the facts and circumstances of the case.)

CASE Lemon Law Educational Posters



LEMON LAW

What are "Lemon Laws"?

- Laws protecting consumers against defective goods that fail to conform to contract or are of unsatisfactory quality or performance standards at the time of purchase
- Such goods are colloquially known as "lemons"



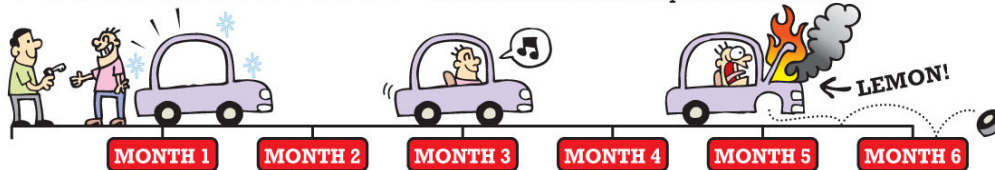
How do consumers benefit from the Lemon Law?

2-stage recourse framework

<p>1 Consumer can ask business to:</p> <p>Repair or replace the defective product.</p>	<p>2 Consumer may keep the defective goods and request a reduction in price, or return the defective goods for a refund if:</p> <ul style="list-style-type: none"> • The business did not provide repair or replacement within a reasonable time or without significant inconvenience to the consumer, OR • Repair or replacement by the business is not possible or will incur a very high cost
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Timeframe

If a defect is found within six months of delivery, it is assumed the defect existed at the time of delivery, unless the business can prove otherwise



For assistance/clarification, call CASE at 6100 0315 or visit www.case.org.sg

