



CONSUMERS ASSOCIATION OF SINGAPORE

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MEDIA RELEASE

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For Immediate Release

CASE urges consumers to safeguard their prepayments

For the past 3.5 years (from 1 January 2014 to 30 June 2017) the Consumers Association of Singapore (CASE) observed an alarming rise in the amount of prepayments reported lost by consumers when businesses close down. The amounts lost were \$1.05 million in 2014, \$1.90 million in 2015, \$3.59 million in 2016 and \$1.81 million in the first half of 2017. CASE is of the view that consumers should be more aware of the risks involved when they make advance payments to businesses. They should also be more aware of how they can protect their prepayments.

Overall, CASE received more than 2,000 complaints¹ from consumers who reported losses of approximately \$8.35 million arising from these business closures. Many of these complaints relate to businesses becoming insolvent and failing to deliver the promised goods or services after collecting payment. With the current uncertain economic outlook, the risk of business insolvency may increase.

Hence, we offer the following advice for consumers to protect themselves when making prepayments:

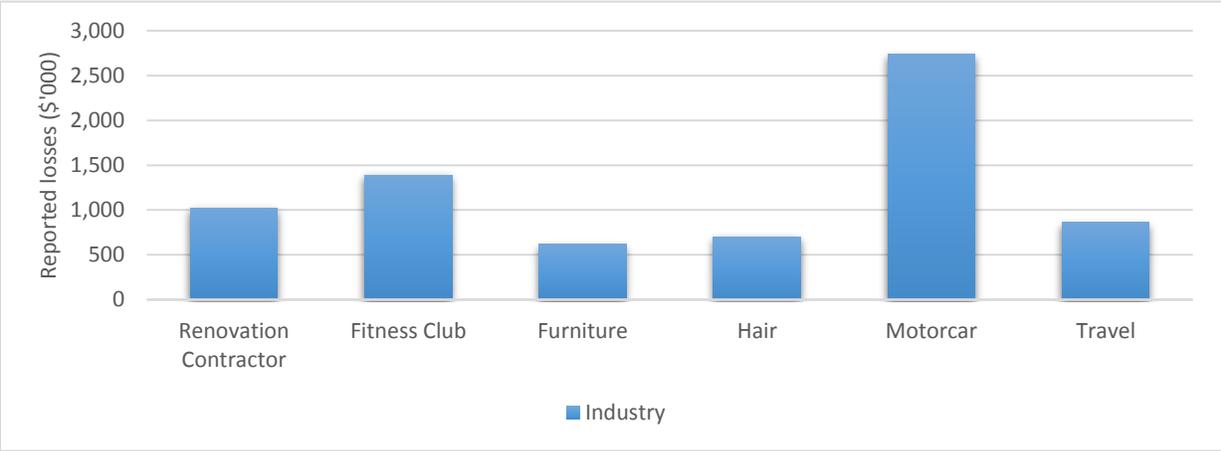
No.	Consumer Tips	Examples
1.	Negotiate for progressive payment instead of paying in full upfront to the business.	When signing a renovation contract, consumers can request for the following: <ul style="list-style-type: none">- 10% deposit payment immediately upon signing the contract.- 80% to be paid in stages as each step of the renovation work (e.g. carpentry, plumbing, painting, etc) is completed.- Remaining 10% payment to the contractor 14 days after satisfactory completion of all works.
2.	Find out if the business offers any insurance or escrow arrangements to protect your prepayment.	Consumers can patronise CaseTrust accredited spa and wellness businesses, where their prepayment is protected by way of an insurance bond or an escrow arrangement with EZ-Link via the TRUST card programme.

¹ Complaints include filed, assisted and counselled cases (including email and phone enquiries).

3.	Choose the “pay as you use” option. Avoid purchasing prepaid packages that involve large sums or lengthy contract periods.	Consumers can choose to pay a “per use” fee whenever they visit a fitness club, or pay membership fees on a monthly basis, instead of opting for a two to three years prepaid membership package which may cost several thousand dollars. Even though paying for a longer membership usually attracts bigger discounts, consumers should weigh the risk of losing their large sums of prepayments when businesses close against the savings from the discounts.
4.	Ask about the refund policy for your prepayment.	For instance, when purchasing a motor vehicle, the Consumer Protection (Fair Trading) (Motor Vehicle Dealer Deposits) Regulations 2009 requires that the motor vehicle dealer inform the consumer in writing of the terms of the refund policy before collecting any deposit from a consumer. Consumers should therefore carefully review the terms of the refund policy to understand the circumstances when they are entitled to a refund.
5.	Where possible, use payment methods that offer prepayment protection.	Consumers who pay by credit card may apply to their card issuers to recover their prepayments through the chargeback mechanism for undelivered goods or services. Alternatively, they can use alternative payment systems which provides for certain recourse and protection for consumers.

CASE would also like to highlight that the Motorcar industry had the highest number of reported losses at \$2.74 million, followed by the Fitness Club industry (\$1.39 million), Renovation Contractor industry (\$1.02 million), Travel industry (\$860,000), Hair industry (\$700,000) and Furniture industry (\$620,000)² (see Table 1). Consumers should be extra vigilant and do their due diligence when transacting with businesses in these industries.

Table 1: Top six industries with the highest amount of reported losses due to business closures from January 2014 to June 2017



² These amounts have been rounded to the nearest \$10,000.

As not all affected consumers lodged their complaints with CASE, these reported losses may represent only a fraction of the actual losses of consumers in Singapore. For example, when fitness chain California Fitness ceased operations in 2015, CASE received about 600 consumer complaints with approximately \$1.09 million of reported losses. This represents a small fraction of the 27,000 members who were owed \$20.8 million in unused gym access and personal training sessions as reported by the liquidators.

As CASE continues our efforts to enhance prepayment protection for consumers by partnering with industry associations through our CaseTrust accreditation schemes, we hope that consumers can also take steps to protect themselves by understanding the risk of prepayments and their rights and obligations under a contract.

Lim Biow Chuan
President
Consumers Association of Singapore (CASE)