



Rental car companies fined for misleading consumers

A press release from the Commerce Commission.

Press release from the Commerce Commission:

1 September 2010

Two Christchurch-based rental car companies, Affinity Car Rental New Zealand Limited and Euro Car Rental New Zealand Limited, and their directors, Kylee and Gary Harris, have pleaded guilty to 18 charges of breaching the Fair Trading Act. The Christchurch District court today imposed fines and costs totalling \$37,960 as well as ordering a total of \$5,750 to be paid in reparation to affected consumers.

After receiving complaints from mostly overseas based consumers, a Commerce Commission investigation found that the rental car companies and their directors had misled a number of consumers. One of the companies, Euro Car Rental, made representations that some consumers had been responsible for damage to rental cars, when this was not true. In some cases consumers, or their issuing banks, questioned credit card charges and in response the rental car companies represented that the charges were for repairs. However, the repairs that had been charged for had not been carried out.

Some consumers were also levied charges which were not disclosed in the rental agreement. Other consumers complained to the Commission that they had requested late model cars via an online booking system, but were offered cars that were up to eight years old. Affinity Car Rentals also represented on websites and in its office that it was Qualmark endorsed when its Qualmark membership had expired some months before.

"Many consumers, especially overseas visitors, make their decisions on what rental car company to use well in advance of their arrival in New Zealand so it is particularly important that information available on websites is accurate," said Kate Morrison, General Manager, Enforcement, Commerce Commission.

"Many of the consumers who were affected by the misleading information were visitors to New Zealand. The car rental industry is a central part of New Zealand's travel sector. It is important that businesses compete fairly, and that consumers, particularly those from overseas, are not disadvantaged by misleading or deceptive conduct. When businesses do not compete fairly and mislead consumers, New Zealand's image as a tourist destination is harmed," said Ms Morrison.

In setting the sentence, Judge Farish noted that the offending was significant and was aggravated by the fact that it was a course of conduct directed mainly against overseas tourists.

"This case shows that all companies must take care to ensure that information provided to consumers is accurate and not misleading or face serious consequences," said Ms Morrison.

"As the country prepares for the increasing number of overseas visitors expected for the Rugby World Cup, the Commission is paying particular attention to those sectors providing goods and services to tourists to encourage compliance with competition and consumer legislation," said Ms Morrison.

Background

The Fair Trading Act. Court penalties for breaching the Fair Trading Act can include fines of up to \$200,000 for a company and \$60,000 for an individual. Only the courts can decide if a representation has breached the Act.

The parties have pleaded guilty to:

- Three charges of breaching section 13(h) of the Act in connection with the need for repairs to vehicles that were hired by seven consumers for damage caused during their hire.
- Three charges of breaching section 13(b), in that vehicle repairs were said to have been supplied by named repair companies, however the repair companies had not supplied the stated vehicle repairs.
- Four charges of breaching section 13(g) of the Act in connection with the cost of vehicle damage repairs, including an off road fee and an administration fee, when the Rental Agreement did not disclose that these fees were chargeable.
- Three charges of breaching section 13(i) of the Act in connection with the effect of a Hirer's Liability and the companies' right to charge the entire insurance excess, rather than charging for the actual cost of the loss or damage incurred, when vehicle damage was discovered.

- Two charges of breaching section 13(d) of the Act in connection with website representations that rental vehicles were late model.
- Three charges of breaching section 13(f) of the Act, in that Affinity Car Rental New Zealand Limited was Qualmark endorsed, when its membership had expired.

The breakdown of fines, reparations and costs are as follows:

- Euro Car Rental: \$20,000 fine and \$3724.79 reparation
- Affinity Car Rental: \$1,500 fine and \$2025.38 reparation
- Kylee Harris: \$10,000 fine \$130 court costs and \$600 solicitor's fee
- Gary Harris: \$5,000 fine, \$130 court costs and \$600 solicitor's fee