

Watching out for Unfair Sales Practices

Written by

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Most sellers are probably honest and do not use crooked or unfair ways of selling things. However, some do and consumers should be on the look out for dishonest sellers and people who use smooth talk to persuade consumers to buy. Consumers should not be persuaded to buy things they do not want. The following are some of the unethical practices to watch out for.

Direct sales

Also known as door to door sales, direct sales represent a popular tactic of unethical sellers to get consumers to buy the things they do not want or need. These agents often cheat unsuspecting consumers such as housewives, the elderly, pensioners and people living in remote areas such as FELDA Schemes and plantations (estates). In Sabah and Sarawak, foreigners sell carpets and cloth to natives in remote villages at high prices. When the installments cannot be paid, the natives are persuaded to hand over their land instead.

To protect consumers, encourage ethical direct selling methods and to eradicate pyramid schemes, the government introduced the Direct Sales Act in June 1993. This Act seeks to allow licensed persons carrying out direct selling covering door-to-door sales and mail order sales. The Act applies throughout Malaysia but only with respect of direct sale contracts entered into after the coming into force of the Act.

The Direct Sales Regulations 1993 provide that except by prior appointment, no person shall call at any premises for the purpose of negotiating any door-to-door sale or in the following situations;

- On Sunday, where a public holiday falls on a Sunday
- On Friday, where a public holiday falls on a Friday
- On any public holiday
- On any other day between midnight to 9 am and from 7 pm to midnight

A person doing a door-to-door sale should have an authority card with the following particulars. This card should be shown to the prospective buyer.

A written contract is required in respect to a door-to-door sale or a mail order sale for the supply of goods and services having a value of RM300 or more. Such contract shall contain a statement that This contract is subject to a cooling off period of ten working days (starting on the day after the making of the contract). The contract should be signed by both the seller and the purchaser.

No agreements can be signed or any deposit collected during the 10 day cooling-off period. No goods should be delivered or services performed until the expiry of the cooling off period. During this period, a purchaser may cancel the contract by giving the seller a notice in writing of his intention to do so.

Fake contests and free offers

a) Fake contests

Fake contests happen when sellers pretend that consumers have won a free gift. Consumers receive a notification in the post with a coupon informing them that they have won a prize, usually an electrical in a random selection of names. They are advised to call the shop to collect the prize. When the consumer calls at the shop, he is told that a condition of receiving the prize is that he has to buy one of the items on display in the shop before he can claim his prize. To claim his prize, the consumer ends up buying an overpriced item and the prize turns out to be a low quality and cheap product.

b) Free offers

Free offers are usually promoted by sellers who are interested in attracting consumers to buy the product that they have for sale. Free offers range from an additional item for every item purchased. An example is where a small bottle of shampoo is packed together with a larger one. Even clothing is sometimes offered under the tagline Buy 1 Free 1. Consumers should be wary when they are offered free gifts for bigger items which require them to purchase another, usually a larger and more expensive item. This condition is usually written in small print and not stated on advertisements and flyers. An example is where a consumer is informed that she has won an offer of free bedding but only to be told later that she must also buy an expensive bedroom suite. Very often, the free offers have conditions

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attached and for smaller items, the price of the free item is already included in the price of the main item. This is prohibited under the Consumer Protection Act 1999 which prohibits an increase in price. However, the seller may impose reasonable conditions which must be written in large print when offering a free gift.

◆ Scratch and win contests ◆
Scratch and win contests are another method that sellers use to cheat unsuspecting consumers by manipulating on their curiosity and greed. Usually a seller will appear at a consumer's house carrying scratch and win cards. They gain access to the house under the pretext of carrying out a consumer survey or by offering a free gift for answering a few questions related to household electrical items. The consumer is then persuaded to scratch a card offering a free prize. Usually, the consumer wins a small item, for example, a cheap water filter. He is later persuaded to scratch a card for a mystery gift of which he is told is bigger and higher in value prize. He may be told that it could be a car. Usually, the consumer will scratch and win a car. He is however told that he has to pay RM2000-3000 for insurance and registration expenses before the car can be delivered. Once this money is paid, a fake receipt and contract is issued and the seller disappears with the money. The company is in actual fact non-existent at the address given.

Pyramid Schemes
Pyramid schemes are a type of sales tactic which happens often in Malaysia. Usually, a sales person tells consumers, that if they invest money in the business, they will receive excellent returns. For example, consumers are told that if they invest money, they will receive twice more or the money will be refunded within a month or that they will receive interest which is higher than the rate offered by banks. In the beginning, the person in charge usually pays out excellent returns as promised. This encourages more people to get involved and invest money into the scheme. One such infamous scheme practised in the early 1980s was known as ◆ Pak Man Telo ◆ where an individual collected large deposits from people and paid out excellent returns in the beginning but when this could not be sustained, he ran off with millions belonging to investors who were aiming to get rich quick.
A variation of this scheme is where a company pretends to sell products by the ◆ multi-level ◆ method of marketing. In reality, it is a scheme to collect subscriptions and to get those who have already joined to get others to join in the scheme. The joining fees plus payment for products results in high returns for those at the top and the new comers. However, those further down the pyramid stand to lose as those at the top skim off the profits.