GE Money settles with Commerce Commission on Fair Trading Act breach

A settlement between the Commerce Commission and GE Money today will result in GE Money paying a $60,000 donation to the New Zealand Federation of Family Budgeting Services after admitting it breached the Fair Trading Act.

GE admitted breaching the Fair Trading Act in October 2011 with a direct mail, print and radio advertising campaign that invited consumers to consolidate their loans into one new loan to be repaid over a longer time period.

The advertising stated that customers would be ‘better off each month’ and have ‘more cash left in your wallet,’ among other claims.

“Analysis of the finances of the real-life customer used in print advertising showed that while monthly payments were initially reduced, they were substantially higher than the original loan repayments for the majority of the 60 month loan period,” said Graham Gill, Manager Competition, Commerce Commission.

“GE was also unable to supply us with acceptable evidence that customers would be financially better off after taking out a debt consolidation loan, other than the immediate cash flow savings during the early stage of the loan,” Mr Gill said.

“Consumers must be able to rely on claims made in advertising, especially on claims about debt products that they might not have a high level of knowledge about.”

“In this case we were pleased that GE cooperated fully with us, promptly recognised its wrongdoing and reached a satisfactory settlement with us which avoids lengthy and costly court proceedings.”

“Both the Commission and the Financial Markets Authority received a complaint about the advertising. We discussed the matter with the Financial Markets Authority and agreed the Commission would undertake the investigation. This is a good example of regulators working efficiently together to achieve a positive outcome for consumers,” Mr Gill said.

A copy of the settlement deed is available on the Commission’s website at www.comcom.govt.nz/fair-trading-settlements/

Background

The Fair Trading Act prohibits traders from engaging in misleading conduct and from making false or misleading representations. Section 11 of the Fair Trading Act states:

*No person shall, in trade, engage in conduct that is liable to mislead the public as to the nature, characteristics, suitability for a purpose, or quantity of services.*

The New Zealand Federation of Family Budgeting Services is a non-government organisation which acts as the umbrella body for community organisations providing budgeting services. Budget advisers provide education and advice to assist families and individuals to manage their finances.
The people that use budgeting services are also likely to include the people that the advertising campaign was aimed at. The Commission and GE agreed that the Federation was an appropriate organisation to receive the donation.

© Commerce Commission 2011