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# 'Lemon law' may put squeeze on car sellers

Industry concerned about grey areas in upcoming legislation

The Straits Times - April 22, 2011  
By: Christopher Tan

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THE motor industry is bracing itself for the so-called 'lemon law' - a piece of legislation that gives consumers here unprecedented protection against defective goods.

Sellers will be obliged by the proposed new law to replace, give a refund or offer a discount for defective goods - commonly known as 'lemons' - that are irreparable.

The Ministry of Trade and Industry has finished gathering public feedback and will table the law in Parliament by the end of the year, a spokesman said.

She said the ministry and the Attorney-General's Chambers are currently reviewing the proposed law 'to take into account the feedback received'.

Although the new law will cover several consumer items such as cellphones, toys and household goods, its impact is expected to be felt hardest in the motor industry.

Said Mr Michael Wong, general manager of Isuzu agent Triangle Auto: 'It is obviously easier to replace a handphone than a car.'

He added that there are still no details about 'what constitutes a lemon', but he expects some 'grey areas' in the definition.

'You will not know the grey areas until the law is actually applied to a case,' Mr Wong said.

Examples of grey areas would be a car with squeaky wipers, or one with higher-than-stated fuel consumption. Should they be replaced?

Singapore Vehicle Traders Association president Ricky Tay pointed out that replacing a car involves replacing its certificate of entitlement (COE) too.

He questioned: 'What happens when the COE at the time of purchase was a few thousand dollars, and now it is over \$40,000?

'This can be quite a big problem for everyone in the trade because the law can be abused by consumers.'

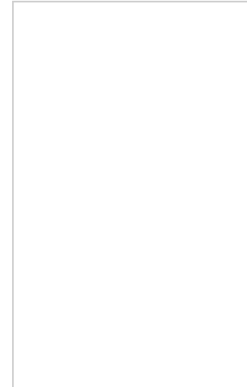
Motor Traders Association president Tan Kheng Hwee said: 'We informed the ministry that in order for this law to work, if any car has been classified as a 'lemon' in court and has to be replaced, the Land Transport Authority (LTA) has to allow the COE and Additional Registration Fee (ARF) to be transferred to the replacement car.

'It would be unfair for the retailer or manufacturer to have to pay for a new COE and ARF all over again. And in the event that the customer is to get a refund rather than a replacement, then the LTA also has to give back the money for the COE and the ARF,' she added.


Parallel importers may face other implications, because they source their cars from overseas dealers and therefore do not have the backing of manufacturers.


That is not all. The law covers used cars, too. Here, the grey areas could be even bigger.

Consumers Association of Singapore executive director Seah Seng Choon, who has been



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lobbying for a lemon law since 2005, said: 'It is harder to prove defects for second-hand goods... Retailers may say that the defect is due to wear and tear.'

Lemon laws are enforced in many developed countries, including the United States, Britain and Germany.

Mr Seah said Singapore's version would be similar to the British version, and will apply whether or not a product is under warranty.

Lawyer Vijai Parwani said the new law offers a way out for consumers fed up with especially troublesome cars: 'The defence of the dealer has all along been that the car is under warranty, so just bring it in for us to do a check.'

'This law should deal with the issue of just how much the consumer must put up with before he says, 'I have had enough; I want my money back', despite the warranty.'

Car manufacturers here said they welcomed the new legislation.

Toyota Motor Asia-Pacific spokesman Eriko Tsuru said: 'Toyota has always stood behind its products, and therefore would not be requiring any additional provisions in preparation for the forthcoming lemon law.'

Audi Singapore managing director Reinhold Carl said: 'Germany has long had Wandelung, which is a law that looks into the interest of consumers against defective goods. I feel that it is definitely a step in the right direction for Singapore to enact similar legislation.'

Volkswagen Group Singapore managing director Zeno Kerschbaumer said Volkswagen's defect rate is well below 0.1 per cent, so he does not foresee any cost implications for the company.

Some smaller motor companies are, however, still unaware of the imminent law. Vertex Automobile, which distributes Chinese brand Chery, said it had not heard of the lemon law.

Consumers cannot wait for the law to come into effect. Housewife Madeline Tan, 51, said: 'It's about time. Why do we have to stress ourselves out to get a replacement for shoddy goods?'

Company director Alan Lee, 60, said: 'I totally support it.'

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