

Answer Key

A Telephone for Luke



Instructions:

Analyze Luke's case using the table below. Assess every aspect of the case, where applicable, based on the excerpts below from the *Consumer Protection Act*. Determine what an informed consumer should do in this situation.

Aspect of case	Correct or incorrect?	Justify your answer.	What should an informed consumer do in this situation?
Luke never took the time to read the contract before signing it.	I	<ul style="list-style-type: none"> – Luke never took the time to read the contract before signing it. 	<ul style="list-style-type: none"> – Luke could have asked questions to find out what other fees would be charged by the cell phone service supplier as well as the costs associated with cancelling his contract. – Luke should have taken the time to read the contract before signing it.
The salesperson warns Luke that he will have to pay a penalty to cancel his contract.	C	<ul style="list-style-type: none"> – A consumer may, at any time and at his or her discretion, cancel the contract. – However, the service provider can charge the consumer a cancellation penalty. 	<ul style="list-style-type: none"> – Luke could have taken the time to compare offers from other suppliers.
The price advertised in-store doesn't include certain fees that Luke will have to pay.	I	<ul style="list-style-type: none"> – The advertised price must include all the amounts the consumer will have to pay to obtain the service, other than the GST, QST and the municipal tax for the 9-1-1 service. 	

ADDITIONAL ACTIVITY

Information for solving this problem:

- Rebate on the sale price of the product needed to use the service: \$399;
- In this example, the consumer receives a device worth \$399 for free. The rebate on the product is thus \$399. However, the retailer may have given a smaller rebate. For example, if the device is worth \$399 and the retailer gives the buyer a \$200 rebate, the rebate on the price of the product will be \$200.
- Contract term: 36 months
- Number of full months elapsed: 14

$$\$399 - (\$399 \times 14 \div 36), \text{ that is, } \$399 - \$155.17 = \$243.83$$
- The service provider cannot charge Luke \$440 for cancelling his contract. In fact, based on the formula presented, Luke cannot be charged more than \$243.83.
- Note: The rules on maximum cancellation penalties do not apply to contracts signed before June 30, 2010.

* The information provided in this document is intended to simplify legislative and regulatory provisions and therefore cannot be used for legal interpretation purposes. Where necessary, the reader's understanding of the information can be completed with the wording of the legislation and regulations to which they refer.