



**CONSUMER GOODS
& SERVICES OMBUD**
Fairplay between consumer & supplier



STAKEHOLDER NEWSLETTER

THE QUARTER IN REVIEW

OCTOBER – DECEMBER 2020

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Welcome to the first newsletter of the New Year. As much as it is a time for new beginnings, we are still firmly in the grip of COVID-19 as governments grapple with the logistics of mass vaccine roll-outs to halt the spread of the coronavirus. The longed-for return to normal is still a good way off, and this is the cause of much uncertainty in the markets. Closer to home, household budgets remain under significant pressure, and consumer sentiment is dogged by extended lockdowns and fears of further job losses, all of which will continue to impact on retail spending in our sector.

As the OMBUD body for the consumer goods and services sector, we are committed to working closely with the industry to continue helping our participants and their customers to adapt to the challenges that the pandemic has thrown at us. Unprecedented events present unprecedented problems, and during the past 12 months, we have made several recommendations on issues not fully covered by the CPA, and have assisted the parties to come to a resolution which is fair, equitable and sustainable. The lockdown also saw a sizable move to online shopping, and with it, the inevitable issues as e-commerce platforms experienced teething problems as well as higher than anticipated volumes, compounded by staff shortages as a result of illness or the need to maintain social distancing. Here too, we have endeavoured to serve as a voice of reason and fairness when resolving disputes, even while experiencing significant increases in complaint volumes compared to 2019.

We have also adapted our funding model to bring more qualifying businesses into the fold without putting a burden on stressed cash flows due to lockdowns and changes in consumer spending. This has also helped spread the load when it comes to funding our industry's dispute resolution mechanism. Much of our focus for 2021 will be on continuing to secure the necessary participation levels of all eligible role players so as to continue providing an accessible alternative dispute resolution mechanism that meets the expectation of all role-players, including the National Consumer Commission and the Department of Trade, Industry and Competition.

Stay safe, stay compliant

Magauta Mphahlele
Ombudsman



Magauta Mphahlele: Ombudsman

MESSAGE FROM THE CEO

The last quarter of the 2020 calendar year saw the roll-out of the CGSO's much anticipated revised funding model. We are deeply indebted to all those stakeholders and participants who so generously gave of their time and expertise to provide feedback and input on the proposed model. I believe we now have a fair and equitable model that will ensure the sustainability of this industry-managed dispute resolution scheme, even as we grapple with the uncertainty presented by the ongoing impact of the coronavirus.

To date, 52% of CGSO participants have responded to the call to confirm their turnover as per the revised funding model. For the balance, we have been able to provisionally allocate fees to 41% of participants based on existing information. I would like to urge all participants who have not yet done so, to please confirm their annual turnover before 31 January 2021 or risk being allocated to the highest turnover range in the new model.

I would also like to take this opportunity to welcome the 51 new organisations who signed up in the last quarter. This is a 70% increase compared to December 2019 when we reported 30 new participants. Most of these fell into the new Group 5 category, i.e. organisations with annual turnovers between R50 million and R100 million. This brings the total number of participants as at the end of December 2020 to 980.*

Lockdown has created significant challenges for everyone in the industry, as is clear from the almost 50% increase in complaints compared to the equivalent period in 2019. In the 12 months from January to December 2020, the CGSO received 12 926 complaints and closed 12 221, compared to 8 735 cases and 8 777 respectively in 2019.

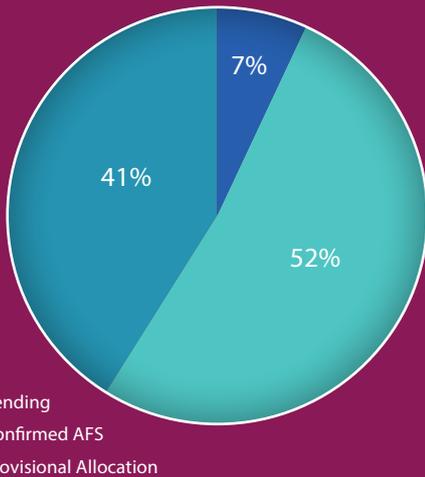
As we head into the New Year, we will continue to find innovative ways to reach consumers and assist participants in training their staff on critical elements of the CPA, while ensuring safety and social distancing. If you have any need for an online training session, please contact us, and we'll be happy to assist. Training is free to all paid-up participants.

Queen Munyai
CEO

** Participation is at group level – branches and subsidiaries are not obliged to sign up in their individual capacity.*



Queen Munyai: CEO



2021/22 CGSO Funding Model

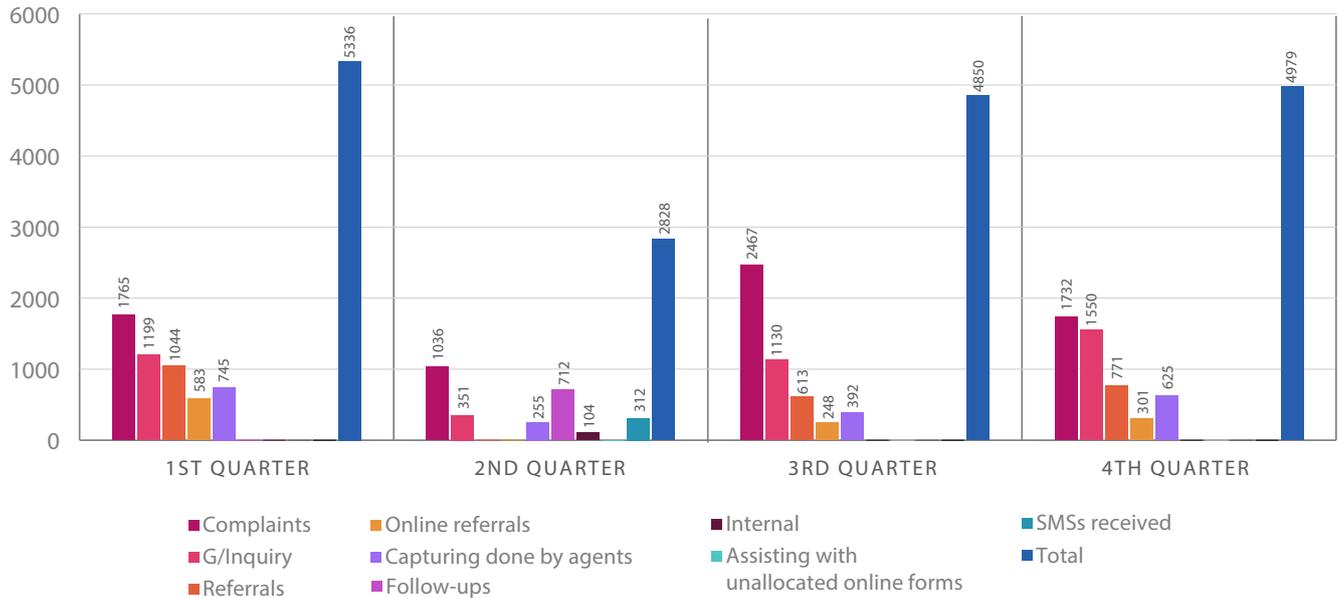
Have you confirmed your annual turnover in terms of the CGSO revised funding model?

Thank you to the 52% who have confirmed their annual turnover in terms of the new funding model. Participants who have not yet confirmed their turnover should please do so before 31 January. Of those who have yet to respond formally, we have allocated as many as we can (41%) based on prior information submitted. If your status has changed and you are among the 48% who have not yet formally responded, please let us know soonest.

CURRENT FUNDING MODEL STRUCTURE			NEW APPROVED FUNDING MODEL STRUCTURE				
Group	Turnover Range	Annual Fee	Group	Turnover Range	New Revised Fees	Variance	Average %
			Super Group	R5 bil and Above	180 000	(20 000)	0,00%
Group 1	R3 bil and Above	200 000	Group 1	R3 bil to R5 bil	160 000	(40 000)	0,00%
Group 2	Above R1 bil to R3 bil	120 000	Group 2	Above R1 bil to R3 bil	90 000	(30 000)	0,00%
Group 3	Above R500 mil to R1 bil	40 000	Group 3	Above R500 mil to R1 bil	35 000	(5 000)	0,01%
Group 4	Above R5 mil to R500 mil	3 360	Group 4	Above R100 mil to 500 mil	5 500	2 140	0,00%
Group 5	Above R1 mil to R5 mil	1 680	Group 5	Above R50 mil to R100 mil	3 500	140	0,01%
Group 6	Less than R1 mil	-	Group 6	Above R1 mil to R50 mil	1 680	-	0,01%
			Group 7	Less than R1 mil	-	-	

THE CGSO IN NUMBERS

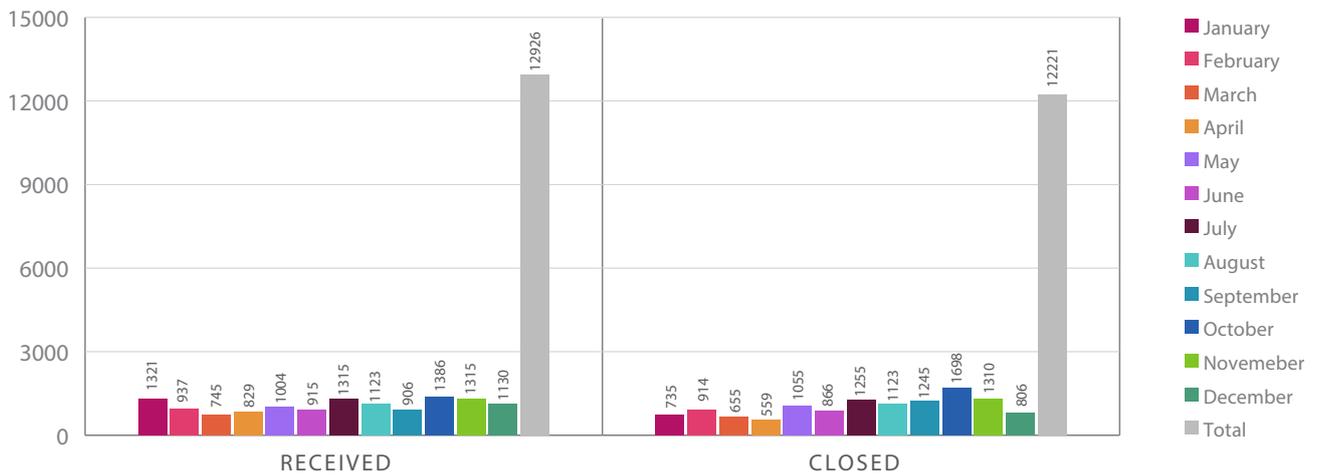
► CALL CENTRE VOLUMES



CALLS CENTRE VOLUMES: JANUARY TO DECEMBER 2020

► COMPLAINTS RECEIVED AND CLOSED

In the 12 months from January 2020 to December 2020, we handled 12 926 complaints - the highest number since inception. 12 221 complaints were closed in the same period. Of these, 3 344 complaints were received in the fourth quarter, at the height of lockdown. Even with the increase in volumes, we managed to maintain an average of 59 days to close complaints in the third quarter. In terms of our mandate, we are required to close complaints within 60 days.



COMPLAINTS RECEIVED AND CLOSED

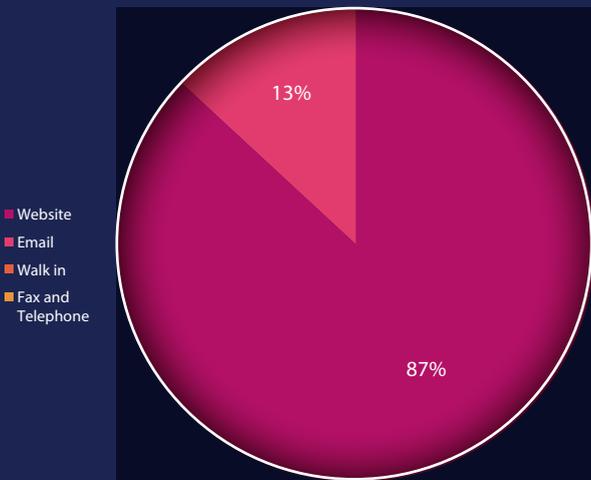
► R2.7 MILLION.....

THE AMOUNT REFUNDED TO CONSUMERS THIS QUARTER.

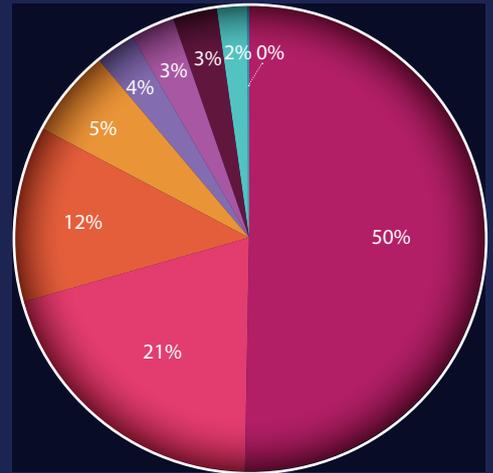
During the reporting period from October 2020 to December 2020, an amount of **R2,694,518.91** was refunded to complainants. This includes an amount of R55,000.00 that was refunded to a complainant for a lounge suite that was of poor quality.

▶ HOW COMPLAINTS WERE RECEIVED

Following the lockdown trend, the majority of complaints were received through the CGSO website and via e-mail. 18 complaints were received via our recently launched WhatsApp number.



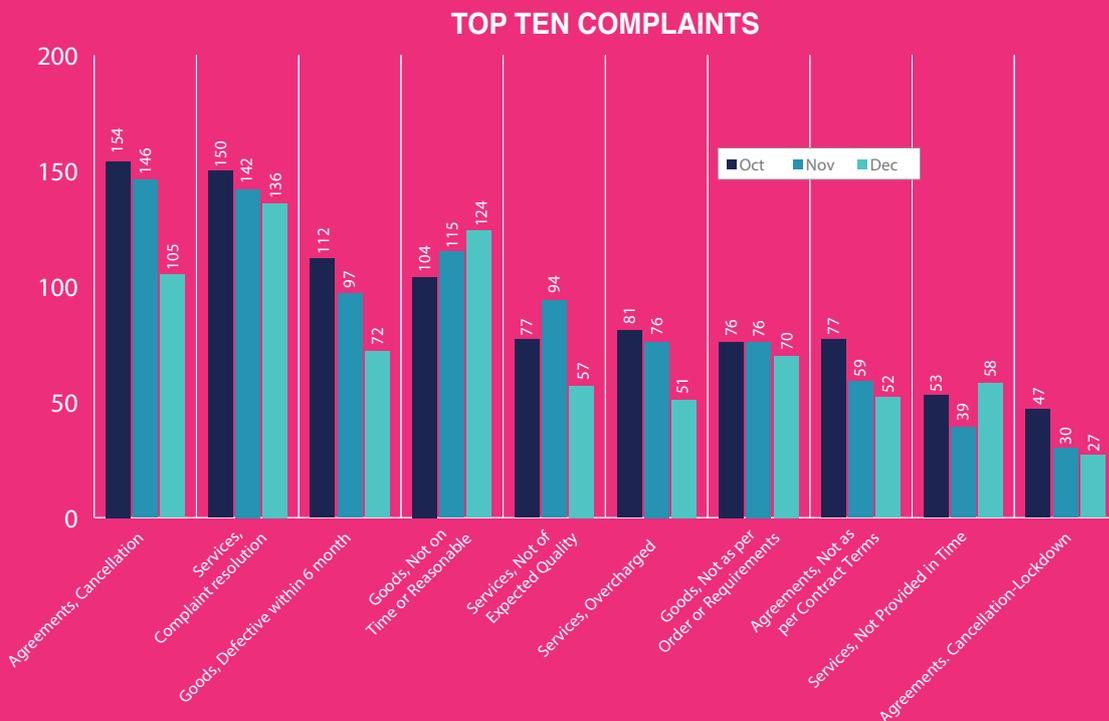
CHANNELS USED TO LODGE COMPLAINTS



COMPLAINTS PER PROVINCE

Fifty percent of all complaints for the quarter were received from Gauteng, followed by the Western Cape. This is consistent with consumer patterns recorded by the CGSO.

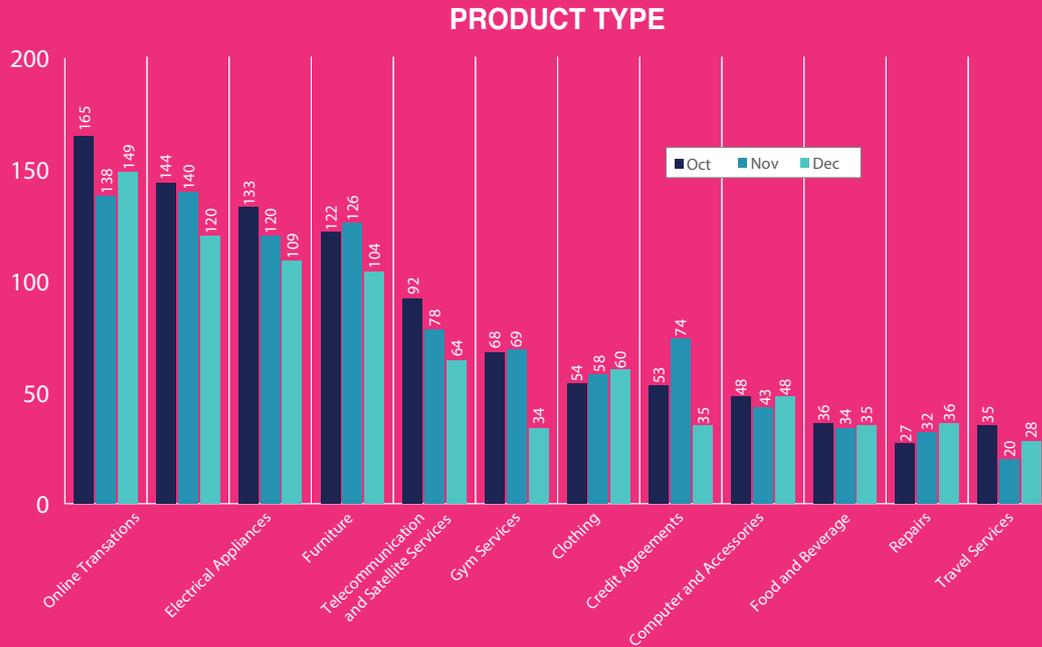
▶ TOP TEN NATURE OF COMPLAINTS RECEIVED BY CATEGORY



Once again, the highest number of complaints received related to cancellations, defective goods, late deliveries and the manner in which complaints were handled.

► COMPLAINTS PER PRODUCT BREAKDOWN

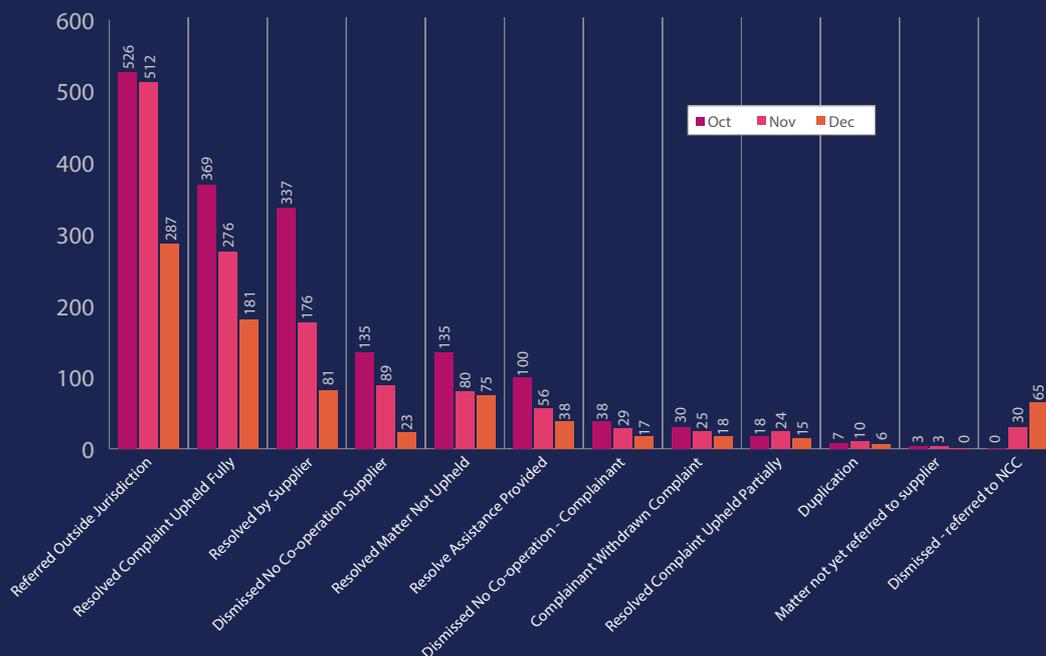
With the exception of the month of November, complaints relating to online transactions accounted for the highest number of complaints received each month, which corresponds with the previous quarter and reflects the growing volumes of e-commerce. Complaints relating to travel services and accommodation were among the most common complaints received in the third quarter of 2020, when lockdown levels peaked, but fell in the last quarter as travel restrictions were lifted.



► OUTCOME OF COMPLAINTS

In 2020 we made two changes to the way we capture the outcome of complaints: In March 2020 we introduced a new category to capture those complaints that were resolved directly by the supplier within the first 15 business days of us having referred the complaint to the supplier and requesting them to liaise directly with the complainant. Gratifyingly, this is a category that continues to grow, reflecting the customer-centric approach of participants. In November 2020 we also introduced a new category of outcome, namely “Dismissed – Referred to NCC”. Previously, where we referred complaints to the NCC due to a lack of cooperation by the supplier, they were included in the category “Dismissed – No cooperation from Supplier”. This new category allows us to more accurately track the number of suppliers who are referred by us to the NCC for flouting the CPA.

When the “Resolved by Supplier” category is added to the categories “Fully Upheld”, “Assistance provided” and “Partially Upheld”, we found in favour of consumers in 44% of all cases in the quarter under review. If we strip out those cases that are not within our jurisdiction, the total changes to 67%.



CASE STUDIES FROM OUR LOCKDOWN FILES

ONLINE PRICING ERROR

The Complainant advised that he paid for a game on the Supplier's website at the displayed price of R499,00 and the order was duly confirmed. However, a few days later, he received an email informing him that the order had been cancelled owing to an error on the Supplier's website, and a refund was offered. The Complainant further advised that he did not want a refund and insisted on the product at the advertised price. The Supplier refused.

The Supplier explained that it was not obliged to sell the goods at the advertised price as there had been an error in pricing on its website whereby items were advertised at approximately half the price for which the items normally sell. The Supplier advised that

the pricing error was corrected as soon as the error was identified on the website and an apology sent to the Complainant.

The Supplier specifically provides in its website terms - to which all its customers agree prior to concluding a transaction - that whilst it takes the utmost care to ensure that the displayed prices are correct, if a mistake is made or an incorrect price is displayed, they will correct these errors as soon as they are made aware of them however, they will not be obliged to sell products at such incorrect prices nor will they be held liable for any damages caused as result of such erroneous prices.

Assessment and outcome:

Section 23 of the CPA relating to Disclosure of price of goods or services provides, inter alia, as follows:

"23(1) This section does not apply to a transaction if.....

- (b) section 43 of the Electronic Communications and Transactions Act applies to the transaction."

Therefore, as this is an online transaction, section 43 of the Electronic Communication and Transaction Act applies which provides as follows:

"43. Information to be provided

- (1) A supplier offering goods or services for sale, for hire or for exchange by way of an electronic transaction must make the following information available to consumers on the web site where such goods or services are offered:
 - (a) Its full name and legal status;
 - (b) its physical address and telephone number;
 - (c) its web site address and email address;
 - (d) membership of any self-regulatory or accreditation bodies to which that supplier belongs or subscribes and the contact details of that body;
 - (e) any code of conduct to which that supplier subscribes and how that code of conduct may be accessed electronically by the consumer;
 - (f) in the case of a legal person, its registration number, the names of its office bearers and its place of registration;
 - (g) the physical address where that supplier will receive legal service of documents;
 - (h) a sufficient description of the main characteristics of the goods or services offered by that supplier to enable a consumer to make an informed decision on the proposed

- electronic transaction;
- (i) the full price of the goods or services, including transport costs, taxes and any other fees or costs;
- (j) the manner of payment;
- (k) any terms of agreement, including any guarantees, that will apply to the transaction and how those terms may be accessed, stored and reproduced electronically by consumers;
- (l) the time within which the goods will be dispatched or delivered or within which the services will be rendered;
- (m) the manner and period within which consumers can access and maintain a full record of the transaction;
- (n) the return, exchange and refund policy of that supplier;
- (o) any alternative dispute resolution code to which that supplier subscribes and how the wording of that code may be accessed electronically by the consumer;
- (p) the security procedures and privacy policy of that supplier in respect of payment, payment information and personal information;
- (q) where appropriate, the minimum duration of the agreement in the case of agreements for the supply of products or services to be performed on an ongoing basis or recurrently; and
- (r) the rights of consumers in terms of section 44, where applicable,
- (2) The supplier must provide a consumer with an opportunity
 - (a) to review the entire electronic transaction;
 - (b) to correct any mistakes; and
 - (c) to withdraw from the transaction, before finally placing any order.
- (3) If a supplier fails to comply with the provisions of subsection (1) or (2), the consumer may cancel the transaction within 14 days of receiving the goods or services under the transaction.
- (4) If a transaction is cancelled in terms of subsection (3)-

- (a) the consumer must return the performance of the supplier or, where applicable, cease using the services performed; and
- (b) the supplier must refund all payments made by the consumer minus the direct cost of returning the goods.
- (5) The supplier must utilise a payment system that is sufficiently secure with reference to accepted technological standards at the time of the transaction and the type of transaction concerned.
- (6) The supplier is liable for any damage suffered by a consumer due to a failure by the supplier to comply with subsection (5)."

In terms of section 43 quoted above, the Supplier can therefore specify in its terms when an ecommerce transaction is completed, so long as this is brought to the attention of the consumer. Notwithstanding the aforementioned, even if a supplier does not make such a stipulation, the default position is that the agreement as well as any error in the price becomes binding upon acceptance by the consumer. This is unless there was such a large discrepancy with the usual price that a consumer ought to have realised that there was a mistake, which results in no consensus being reached.

The Supplier advised that the item was advertised at approximately half the price for which it normally sells and accordingly, the discrepancy between the actual price or the price that a reasonable consumer might expect the price to be and the advertised price was so large that a reasonable consumer would have realised that there was an error and would not have been misled.

Based on the above, we concluded that the Supplier was not bound to provide the Complainant with the ordered goods at the incorrectly advertised price.

DEFECTIVE DINING ROOM SUITE

The Complainant advised that he purchased a dining room suite from the Supplier, and within four months of purchase, the table split. The Supplier was notified telephonically and only after the condition worsened did the Complainant physically visit the store. The item was collected some months later, and two days after the item was collected, the Complainant received an email to come and choose a new suite. Nothing in the store matched the Complainant's existing furniture and he was told it would take two weeks to manufacture a new table in accordance with their specifications. A few days later the table arrived and it was still not completely to the Complainant's liking, but he accepted it anyway. After requesting a refund for the balance between the original and the replacement suites, the Complainant was told that he had to pay a 20% handling fee which he was not happy with as the suite was, in his view, defective. The Complainant submitted that it was incorrect for the Supplier to claim that the table had been in direct sunlight when the position where the table was installed by the Supplier's staff does not receive direct sunlight.

The Supplier advised that they tried to assist the Complainant even after he had caused damage to the table by leaving it in the sun, thereby causing the so-called 'defect'. It was further advised that it had previously offered to replace the defective 8-seater and chairs with another of the same size or value. It offered to make another 6-seater using a different style and smaller size requested by the Complainant along with a coffee table. The Complainant agreed to take delivery of these items and then changed his mind, requesting that the Supplier deliver the table and cancel the coffee table and chairs. The Complainant then requested the difference to be refunded insisting that unless a refund was given, he would not accept delivery of the table. The Supplier agreed to refund the Complainant subject to a 20% handling fee, which was stated clearly on the Complainant's invoice.

Assessment and outcome:

Section 56 of the Consumer Protection Act provides, inter alia, that

"56. Implied warranty of quality

- (1) In any transaction or agreement pertaining to the supply of goods to a consumer there is an implied provision that the producer or importer, the distributor and the retailer each warrant that the goods comply with the requirements and standards contemplated in section 55, except to the extent that those goods have been altered contrary to the instructions, or after leaving the control, of the producer or importer, a distributor or the retailer, as the case may be.
- (2) Within six months after the delivery of any goods to a consumer, the consumer may return the goods to the supplier,

without penalty and at the supplier's risk and expense, if the goods fail to satisfy the requirements and standards contemplated in section 55, and the supplier must, at the direction of the consumer, either—

- (a) repair or replace the failed, unsafe or defective goods; or
 - (b) refund to the consumer the price paid by the consumer, for the goods.
- (3) If a supplier repairs any particular goods or any component of any such goods, and within three months after that repair, the failure, defect or unsafe feature has not been remedied, or a further failure, defect or unsafe feature is discovered, the supplier must—
 - (a) replace the goods; or
 - (b) refund to the consumer the price paid by the consumer for the goods."

As per section 56 of the CPA the Complainant would be entitled to request a refund. However, the Supplier submitted that the refund is subject to a 20% handling fee. It was explained to the Supplier that if goods are defective, they are not allowed to charge any fees and to provide reasons why the handling fee was charged on defective goods. In reply, the Supplier agreed that a handling fee cannot be charged on defective goods but in this case, the reason for charging the handling fee was because the Supplier had to make a new table using a different design and a different type of wood.

The matter was eventually resolved when the Complainant agreed to accept the refund subject to the 20% handling fee being deducted.

MEDIA, TRAINING & OUTREACH

In the last quarter of 2020, the CGSO participated in 21 radio interviews, compared to 14 in the previous period, and were regular guests on SABC2's SpeakOut programme. While Black Friday was the dominant theme for the quarter, warranties, guarantees and consumer rights also received attention, as did to the topic of online transactions. The CGSO maintained a substantial presence in print media, appearing in 16 articles. This is down from 30 mentions in the previous quarter.

PARTICIPANT TRAINING/CPA

Congratulations to Multichoice in Gauteng who put 10 candidates through our CPA training in October.

A warm welcome to our new participants who signed up between October and December 2020:

HUAWEI TECHNOLOGIES AFRICA (PTY) LTD	1	PARROT PRODUCTS (PTY) LTD	4	KUBU TEXTILES (PTY) LTD	4
BLISS BRANDS (PTY) LTD	1	DANNHAUSER MALT (PTY) LTD	4	WILDCRETE CC	4
NORCROS SA (PROPRIETARY) LIMITED	2	ROCKY BRANDS AND MARKETING	4	DAGBREEK EIERS (PTY) LTD	4
KINGSLEY BEVERAGE PTY LTD	2	MOZAFABA BISCUITS CC T/A TATSO	4	LUSH INDUSTRIES (PTY) LTD	4
BIC SOUTH AFRICA (RF) (PTY) LTD	3	IVINS PROPERTIES CC	4	JACKAROO PAPER SOUTH AFRICA (PTY) LTD	4
KIRAN SALES	4	LIMPOPO DAIRIES (PTY) LTD	4	UPAT SA (PTY) LTD	4
CALAFRICA PTY LTD	4	BLUE LABEL CONNECT	4	VERMONT SALES (PTY) LTD	4
A.P GREEN'S SAWMILLS	4	PIONEER PLASTICS (PTY) LTD	4	KLINKERSTENE	4
LEVTRADE INTERNATIONAL (PTY) LTD	4	PIONEER PLASTICS SUPPLIES (PTY) LTD	4	TECHNO INVESTMENTS CC	5
DORNING GROUP (PTY) LTD	4	LIBRA MARKETING AND SALES CC	4	TANZANITE WINES PTY LTD	5
MERCURY FITTINGS CC	4	FLAIR FASHIONS CC	4	BLUE ROCK HOLDINGS (PTY) LTD	5
MJ BAKERIES T/A FRESHBAKE	4	LAMTIM PRODUCTS (PTY) LTD	4	COSCOROBA GROUP HOLDINGS (PTY)LTD	5
MILPRO MEATS (PTY) LTD	4	FARMWISE MARKETING (PTY) LTD	4	REAPSO SA (PTY) LTD	5
PETROW FOOD INGREDIENTS (PTY) LTD	4	QUALICHEM (PTY) LTD	4	CUBED MAN INVESTMENTS (PTY) LTD	5
TICKETPRO (PTY) LTD	4	RJK TRADING CC	4	DUELA PAY (PTY) LTD	6
DELHEIM WINES (PTY) LTD	4	HYGIENIC TISSUE MILLS CC	4	YUNOMI CC	6
PENINSULA WIRE PRODUCTS	4	CAPE WIRE DISTRIBUTORS (PTY) LTD	4		

Group category based on annual turnover #

USEFUL CONTACTS

Ombudsman	Magauta Mphahlele	magautam@cgso.org.za
CEO	Queen Munyai	queenm@cgso.org.za
Participant Subscription, Fees and Billing	Rhoda Maphosa	accountant@cgso.org.za
Complaints	Nicky Stetka	NickyS@cgso.org.za
Media and Participant Training	Ouma Ramaru	oumar@cgso.org.za
New Participant Sign Up	Katlego Lehabe	Katlego@cgso.org.za

SOCIAL MEDIA

For more information and advice on best practice when it comes to cancellations and policies relating to lockdown:



FACEBOOK:
[@ConsumerGoods&ServicesOmbud](https://www.facebook.com/ConsumerGoods&ServicesOmbud)



WEBSITE:
www.CGSO.org.za



DID YOU KNOW?

You can now reach us via WhatsApp on
081-335-3005

Our Business WhatsApp function was launched at the height of lockdown in 2020 to enable consumers to reach us more easily when our offices were closed. While some consumers have used it for lodging and following up on complaints (21), the bulk of the transactions related to general enquiries (23).

www.linkedin.com/company/consumer-goods-services-ombudsman



www.facebook.com/cgsombud



twitter.com/cgsombud



www.youtube.com/channel/UCtyfp8cOY3uPEUao1sIDOMA



**CONSUMER GOODS
& SERVICES OMBUD**
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