



IMMEDIATE RELEASE – December 2021

ERRANT SUPPLIERS PUT ON NOTICE TO COMPLY WITH INDUSTRY OMBUD SCHEME OR FACE LATE JOINING PENALTY

Johannesburg -The Consumer Goods and Services Ombud (CGSO) has announced that all eligible suppliers of consumer goods and services have until 1 March 2022 to join the industry Ombud scheme or face a late joining penalty.

The Ombud scheme was accredited in 2015 by the Minister of Trade and Industry in terms of section 82(2) of the Consumer Protection Act (CPA) to enforce the Consumer Goods and Services Industry Code of Conduct by mediating disputes between consumers and suppliers. All qualifying entities are compelled to register with the CGSO and contribute towards the funding of the Ombud function. Contributions are made in the form of a participation fee based on a percentage of turnover. Thus far, more than 1,056 eligible organisations have signed up at the group level, representing tens of thousands of branches, with 50 of the largest retailers representing 21,546 outlets countrywide.

Since its inception, the CGSO has processed 53,850 complaints, with the number of complaints received rising each year. In the last financial year alone, R7.7 million was refunded to consumers who turned to the CGSO after suppliers' internal complaints resolution processes had failed. The CGSO has also contributed to a fair marketplace by training participants on key CPA requirements, allowing difficult matters to be escalated to the CGSO instead of the courts, and providing free, non-binding advice to industry participants on key CPA issues.

“The organisation is funded by industry and serves as a self-regulation mechanism to ensure that businesses comply with the CPA and that consumers can trade and contract with suppliers with confidence. Our mandate is to provide an impartial mediation service to the industry when things go wrong. In all cases, our recommendations are based on civil law, specifically the CPA, and tests of reasonableness and fairness. We are also mandated to educate consumers about their rights and responsibilities and work with the industry to identify

poor business practices that could harm its reputation or potentially prejudice consumers,” said CEO, Queen Munyai.

Munyai added that although participation in the scheme is compulsory, not everyone eligible to sign up has done so. Consequently, those who do comply with the Act are subsidising those who do not.

“We are aware that there are entities who know that they are supposed to comply with the Code but for various reasons choose not to. While we are empowered to take legal action against entities who refuse to sign up, our approach has been to raise compliance awareness and encourage qualifying entities to join. If everyone eligible to participate in the scheme complied with their obligation to do so, we would be able to keep participation fees to a minimum while continuing to provide the services we do. For this reason, the Board approved a late-joining fee of 25 per cent of the annual participant fee for suppliers who have yet to join the scheme,” she said.

The Board is empowered by section 6 of the Code to determine a joining fee and an annual levy and (if necessary) a special levy, based on the relative market share of the participants in each Sector Industry Category, the anticipated number of complaints to be dealt with by the CGSO annually, and the costs of operating the CGSO.

The current funding model has eight participant categories based on turnover, covering everyone from SMMEs (Group 7) to household names with annual turnovers above R5 billion (Super Group). Most of the founder-members of the CGSO fall into the latter group.

INTRODUCTION OF A LATE JOINER FEE				
GROUP CATEGORIES		Participant Fees	%	Once-Off Joining Fee
Super Group	R5 bil and Above	180 000	25%	45 000
Group 1	R3 bil to R5 bil	160 000	25%	40 000
Group 2	Above R1 bil to R3 bil	90 000	25%	22 500
Group 3	Above R500 mil to R1 bil	35 000	25%	8 750
Group 4	Above R100 mil to 500 mil	5 500	25%	1 375
Group 5	Above R50 mil to R100 mil	3 500	25%	875
Group 6	Above R1 mil to R50 mil	1 680	25%	420
Group 7	Less than R1 mil	-		

Over the past three years, as more qualifying entities joined the scheme, the CGSO has reduced the participation fee and built the necessary reserves to continue fulfilling its mandate. At the same time, consumers have access to redress across a broader spectrum of suppliers of goods and services: “The aim is to ensure that the burden of funding the Ombud is spread fairly across all qualifying participants. The more entities who comply with the Code and sign up, the better it is for everyone.

“In effect, eligible suppliers who have delayed joining have a three-month grace period in which to comply with the Code without penalty. After that, a once-off late joining fee will be levied on all companies that have been in existence before 1 March 2022,” added Munyai.

The Consumer Goods and Services Industry Code of Conduct is binding on all qualifying participants. It covers all service providers and retailers not already governed by other Ombud schemes, such as banking, insurance, credit agreements, cellphone billing and mobile networks, vehicle sales and repairs, and tourism. To find out if your organisation needs to participate in the scheme in terms of the industry Code of Conduct, please contact katlego@cgso.org.za or visit our website, www.cgso.org.za.

Ends

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