



MEDIA RELEASE

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CONSUMER WIN SETS PRECEDENT FOR OTHERS BURNT BY KLEENMAID COLLAPSE

Consumer Action Law Centre has successfully represented a couple who sought to recover thousands of dollars from a linked credit provider who financed their purchase of kitchen goods from Kleenmaid Pty Ltd, before it was placed in administration earlier this year.

Consumer Action acted for Victorian couple, Kerrie Edmonds and Nathan Evans, against the credit provider Lombard Finance Pty Ltd in the Victorian Civil and Administrative Tribunal (VCAT). The couple had paid the finance company \$9,153 as part of a linked credit arrangement to purchase kitchen products that were never delivered as a result of Kleenmaid's collapse.

Linked credit means that a supplier, such as Kleenmaid, has an arrangement with a lender (in this case, Lombard) which, for example, directs their customers to that lender for finance to purchase goods or helps them to apply for finance.

In April this year, the couple contacted Lombard after discovering Kleenmaid had gone into administration and were allegedly advised to continue making payments in order to avoid getting a bad credit rating - despite the fact they were not likely to receive the goods.

The VCAT decision found that the credit contract with Lombard had been lawfully terminated and the Tribunal ordered the finance company to repay the \$9,153 it had received from the couple.

Consumer Action's Senior Policy Officer, Zac Gillam, says the decision is an important one for hundreds of consumers left out of pocket when they used linked credit contracts to purchase Kleenmaid goods that were subsequently never delivered. It may also have application in other cases where a supplier has collapsed and there are linked credit arrangements in place.

"This is a significant case. Consumers in a similar position should seek to rescind their linked credit contracts and then recover money they have paid to the linked credit provider for Kleenmaid goods that were subsequently never delivered."

Mr Gillam said that linked credit contracts are subject to the *Consumer Credit Code*, and termination of a sale contract with a goods supplier may also give rise to the right to terminate a linked credit contract - a fact of which many consumers are unaware.

"Despite the fact that goods are never delivered, many consumers think they remain unfairly bound to linked finance contracts," said Mr Gillam.

In addition to the \$9,153 paid to Lombard, the couple also paid a deposit of \$3,897 directly to Kleenmaid, which they have not been able to recover.

We understand Lombard Finance has extended \$6.5 million in similar financing arrangements to almost 700 Kleenmaid customers between July 2007 and June 2008.

Consumers can visit www.consumeraction.org.au to obtain a fact sheet on these issues.

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