

Cell Phone Contracts

Answer Key

Answer the questions below using what you learned in the video, your teacher's explanations, and the content on the website of the Office de la protection du consommateur (opc.gouv.qc.ca).

› Scenario 1

Karim has decided to look into getting a cell phone and a monthly plan. His mother offered to give him her old phone, but Karim would rather get the same phone as his friends have. He intends to use it for everything: staying in touch with them by text messaging, sending photos, searching the Internet, chatting with his cousin in New Brunswick, watching the live games of his favourite sports teams, using a number of applications, and so on. Karim has Wi-Fi at home, but he's so busy with sports and extracurricular activities that he's hardly ever there.

Budgetwise, Karim receives a net pay of \$100 per week thanks to his job at Sport Go. However, he spends \$60 a month for his bus pass and another \$40 a week on his leisure and personal expenses. Although he is currently putting aside \$30 a week in a savings account, he'd like to save more for his college education. In addition, Karim gives his father \$10 a month to repay a loan. If necessary, he can review his budget to rebalance it.

a) Determine Karim's monthly budget and figure out how much he can spend each month to pay for his cell phone plan. Remember that there are 4.33 weeks in a month, or $52 \text{ weeks} / \text{year} \div 12 \text{ months} = 4.33 \text{ weeks} / \text{month}$.

Answer:

Income:	$\$100 \times 4.33 =$	$\$433 / \text{month}$
Expenses:	$\$60 \times 1 = \60	
	$\$40 \times 4.33 = \173.20	
	$\$30 \times 4.33 = \129.90	
	$\$10 \times 1 = \10	$- \$373.10$
Amount available:		$= \$59.90$

b) List the needs Karim must factor in when choosing a cell phone plan.

Answer:

- Texting messages and photos
- Internet data (searches, live sports, etc.)
- Call minutes (conversations with his cousin)
- Enough memory for his applications

c) With a little research, Karim realizes he'll have to choose between two types of contracts: a fixed-term contract and an open-ended contract. Explain the difference between the two types of contract to Karim by listing the characteristics of each.

Answer:

Characteristics of a fixed-term contract:

- *The consumer is bound by an contract for a fixed period.*
- *During the fixed period, the price of the services cannot be increased.*
- *To cancel the contract, the consumer may have to pay a cancellation penalty.*

Characteristics of an open-ended contract:

- *The consumer receives a monthly bill, but is not bound by an contract for a fixed period.*
- *The price of the services may increase.*
- *The consumer can generally cancel the contract without having to pay a cancellation penalty.*

› Scenario 2

Finally, Karim enters into a fixed-term service contract with a cell phone provider. He now receives a statement every month. As an informed consumer, he always takes a look at his bill to make sure it reflects the agreement made at the outset. On his last monthly statement, he noticed that \$10 had been added to his bill for voicemail service. As far as he could remember, the provider was supposed to give him this service free of charge for the duration of the contract. Karim wants the service provider to respect the terms of the contract.

In this situation, what can Karim do to enforce the contract?

Answer:

1. *Try to come to an agreement with the provider.*
2. *If they can't agree, he still has to pay his bill before the statement's due date. This will ensure his credit report is unaffected yet still maintain his right to dispute the charges.*
3. *Make a complaint to the Office de la protection du consommateur so that an agent can inform him of his rights and recourses and make a record of the complaint.*
4. *If an agreement cannot be reached, he can send the service provider a formal notice.*
5. *If the provider does not accede to his request, he can take the matter to court.*

Karim can also submit the situation to the Commissioner for Complaints for Telecom-Television Services (CCTS), a body that deals with billing issues, to see if the case qualifies.

› Scenario 3

One night when Karim tries to call his mom to say he'll be late for supper, he realizes there's a problem with the volume on his device. He contacts the merchant who sold him the phone. The merchant informs him that the manufacturer's warranty has expired and reminds him that he didn't pay for an extended warranty. Karim checks out the website of the Office de la protection du consommateur and is relieved to learn about legal warranties and how to go about ensuring merchants comply with them.

Have you ever heard of a legal warranty? For each of the following statements, determine whether the statement is true or false.

a) Legal warranties are free.

True

False

Justification:

Legal warranties are granted automatically by law.

b) Legal warranties do not automatically apply to the goods you buy: you need to request this type of warranty at the time of purchase in order to benefit from it later.

True

False

Justification:

Legal warranties apply automatically when a consumer buys or leases a good.

c) Legal warranties stipulate that the purchased good must last a reasonable length of time and that the consumer must be able to use the good for its intended purpose.

True

False

Justification:

Legal warranties allow you to demand that the goods you purchase:

- be usable for their intended purpose;*
- have a reasonable service life, given the price paid, the contract, and the conditions of use;*
- not have any hidden defects, i.e., a significant defect that existed before the sale, that was not disclosed to you, and that you could not have known about, despite your caution;*
- be consistent with the description in the contract, the advertising, and the representative's statements.*

d) The law specifies that the reasonable service life of a cell phone is two years.

- True
 False

Justification:

The law does not specify the reasonable duration of every good. For example, it doesn't spell out that a television should last 10 years. Why? Because a number of factors must be considered in determining the reasonable duration of a good. Such factors include the price paid, the terms of the contract, and the conditions in which the good is used. You can't expect a TV worth \$850 to work as long as one with the same features but that is worth \$1,500.

In short, this is a question of fact and good old common sense.

e) Because the phone's malfunction is covered by the legal warranty, Karim informs the merchant of this fact. The merchant's options are to repair the cell phone, have it repaired free of charge, exchange it or refund Karim.

- True
 False

Justification:

The merchant who sells you a good (or its manufacturer) is under certain obligations when the good is defective. No matter what the exchange or refund policy may be, the merchant must, at its discretion, repair the good free of charge, exchange it, or refund you.

f) The phone may have been sold to Karim without any warranty, since merchants can choose to sell goods without a legal warranty.

- True
 False

Justification:

The goods you buy from a merchant are always covered by a legal warranty. This warranty applies automatically and at no charge, even if the merchant or the manufacturer claims to be selling the good without a warranty.

To help you exercise your rights with a merchant, you'll find a downloadable kit on the website of the Office de la protection du consommateur (opc.gouv.qc.ca) as well as examples of recent judgments dealing with legal warranties, in particular those of the Small Claims Division of the Court of Quebec. You can also call the Office to speak with an agent who can advise you on your approach.

g) Once the manufacturer's free warranty has expired, the merchant is no longer required to comply with the legal warranty.

True

False

Justification:

The merchant is required to respect the legal warranty even if the merchant suggests that without an extended warranty, you won't have any protection once the manufacturer's warranty expires.

h) To exercise a legal warranty, you can contact the merchant who sold you the good, the good's manufacturer, or both.

True

False

Justification:

Since the merchant and the manufacturer are both responsible for selling the consumer a good that can be used for its intended purpose over a reasonable period of time, you can undertake this process with either of them.

i) Karim tried to have his cell phone repaired by the merchant who sold it to him and by the cell phone manufacturer. Unfortunately, both refused to apply the legal warranty. Karim has run out of options for exercising his rights.

True

False

Justification:

If the merchant or the manufacturer refuse to apply a legal warranty, Karim can send them a letter of formal notice outlining his demands. If this step does not lead to the expected results, he can file his claim with the Small Claims Division of the Court of Quebec.

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› Scenario 4

Karim signed a two-year service contract with his provider, who also sold him a phone worth \$425 for \$0, which means he was given a discount of \$425 on the selling price of the device.

Thirteen months later, Karim decides to cancel his contract.

What is the maximum cancellation penalty the provider can charge? Calculate the penalty.

Answer:

Based on the calculation explained in the video:

- 1. First, determine the monthly amount of the discount Karim was given on the cell phone's selling price.*
- 2. Next, calculate the number of months remaining under the contract.*

Discount on the selling price = \$425 for 24 months, or \$17.71 per month

Karim is cancelling after 13 months, so there are 11 months (24 - 13) left on his contract.

Maximum cancellation penalty: \$17.71 / month x 11 months = \$194.81

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