

Cell Phone Contracts

Student Workbook

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 \(opc.gouv.qc.ca\)](http://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:

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

Answer: _____

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:

Characteristics of an open-ended contract:

> 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:

› 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

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

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

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

- True
- False

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

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

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

True

False

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

True

False

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

› 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: