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ASK DR MONEY

Buyer beware

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Q. What is this 'caveat emptor' that I hear about? I think it means 'Buyer Beware'. Beware of what?

A. Yes, you are correct. Caveat emptor means buyers should beware of sellers. That's because sellers can be a little bit tricky and get away with it.

You can't take the matter to court because you will lose.

The courts will say 'caveat emptor' which is a legal way of saying: 'You should have been a more careful consumer and figured out these sales tricks on your own.'

Here are some examples:

- **Insurance**

Singaporeans have bought billions of dollars worth of life and endowment insurance policies over the past 20 years.

Sales agents typically prepare a spreadsheet showing how much your policy is worth at maturity, assuming steady dividends.

But, in recent years, insurance companies have cut the bonus part of the dividends, reducing your expected payout at maturity by as much as 40per cent.

You could try taking your insurance company to court, claiming: 'My insurance agent misled me. I thought these annual bonuses were practically guaranteed. Now, at age 60, I'll receive \$100,000 less than he promised me.'

In all likelihood, the judge will say: 'Caveat emptor. Let the buyer beware. Case dismissed.'

- **Massage chairs**

I recently stopped by a health goods store and the sales person told me about the shop's massage chair, which cost \$5,000.

The brochure makes incredible claims for the chair - if you lack energy, it perks you up; if you've got too much energy, it slows you down so you can sleep.

It also cures insomnia, depression, and even constipation!

Let's suppose you buy the chair for \$5,000. After three months, you still suffer from lack of energy, insomnia, constipation and, especially, depression, since you no longer have your \$5,000.

Can you take your case to court?

Yes. But, again, the judge will probably say 'caveat emptor' and add that 'it is up to you to evaluate the merits of the company's claims'.

- **Fast food**

Last month, one fast food company started a great promotion which discounts certain items to \$1.

French fries, cheeseburgers, coffee, tea, and orange juice were reduced to just \$1.

When you placed your order at the counter, you would see a menu with pictures of six delicious looking items that had been reduced to only \$1.

About two weeks later, all those counter menus vanished.

The staff told me: 'Oh, we don't show those at the counter any more. But you can still find them on a sign outside the door.'

Of course, a sign outside the door isn't easy to see when you are in a queue and ordering at the counter.

And not many people will give up their place in the queue to go outside and take a look.

So most customers simply focus on the regular menu that is prominently displayed on the counter in front of you, which lists their more expensive meals.

This is clever marketing and it breaks no laws. It simply results in you paying more than you need to, and probably without ever realising it.

Caveat emptor, everyone.