

# New Zealand Consumer Law practice Exam (Sample)

## Study Guide



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**SAMPLE**

## **Questions**

- 1. What should a trader do if a consumer requests a refund due to a faulty product?**
  - A. Ignore the request**
  - B. Immediately offer a replacement only**
  - C. Assess the claim and refund if applicable**
  - D. Offer store credit instead**
- 2. What must businesses do to ensure their advertising is compliant with consumer law?**
  - A. They should primarily focus on creativity**
  - B. Adhere to strict regulations regarding truthful representations**
  - C. Only display positive reviews and omit negative feedback**
  - D. Include as much technical jargon as possible**
- 3. What key factor contributed to the court's decision in Commerce Commission v Grenadier?**
  - A. The use of vendor bids without disclosure**
  - B. The auctioneer's mistake**
  - C. The market condition**
  - D. The transparency of the bids**
- 4. Is it lawful for a trader to make false claims about a product?**
  - A. Yes, if the claims are not substantial**
  - B. No, it is prohibited under the Fair Trading Act**
  - C. Yes, as long as a disclaimer is provided**
  - D. No, but only if the product is defective**
- 5. Are online purchases covered by New Zealand consumer law?**
  - A. No, only in-store purchases**
  - B. Yes, all purchases are covered**
  - C. Only certain types of online purchases**
  - D. Yes, but with restrictions**

- 6. What must a warranty include to be valid under New Zealand law?**
- A. Vague promises made by the seller**
  - B. General industry standards**
  - C. Specific consumer rights in addition to legal rights**
  - D. A set duration with no conditions**
- 7. What can consumers do if their rights under the Consumer Guarantees Act are violated?**
- A. Seek compensation only from the supplier**
  - B. Take legal action against the supplier**
  - C. Return the goods for a refund only**
  - D. Contact media for exposure**
- 8. What is the purpose of the Fair Trading Act 1986?**
- A. To establish a minimum standard of products**
  - B. To promote fair competition and protect consumers from deceptive practices**
  - C. To enforce contracts between businesses**
  - D. To regulate pricing in the retail market**
- 9. What does Section 40 of the Consumer Guarantees Act address?**
- A. The rights of consumers regarding goods only**
  - B. The obligation of suppliers under stricter laws**
  - C. The availability of remedies for defective goods**
  - D. The definition of consumer and trader roles**
- 10. In assessing unfair contract terms, what does "reading a contract as a whole" imply?**
- A. Looking at individual terms in isolation**
  - B. Considering how all terms work together in the contract**
  - C. Evaluating the contract based on the longest term**
  - D. A focus only on the first page of the contract**

## **Answers**

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1. C
2. B
3. A
4. B
5. B
6. C
7. B
8. B
9. B
10. B

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## **Explanations**

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**1. What should a trader do if a consumer requests a refund due to a faulty product?**

- A. Ignore the request**
- B. Immediately offer a replacement only**
- C. Assess the claim and refund if applicable**
- D. Offer store credit instead**

When a consumer requests a refund for a faulty product, it is essential for the trader to assess the claim and determine if a refund is warranted. Under New Zealand Consumer Law, specifically the Consumer Guarantees Act, consumers have the right to request a remedy for defective goods. If the product does not meet the guarantees provided, such as being of acceptable quality or fit for purpose, the trader must evaluate whether the claim is valid. By assessing the claim, the trader ensures they follow legal obligations and treat consumers fairly. This process may involve examining the product to confirm its faultiness and understanding the specific circumstances of the complaint. If the product is determined to be faulty, the trader is obligated to provide a refund, repair, or replacement, depending on the situation. In contrast, ignoring the request would violate consumer rights and could lead to further legal repercussions. Immediately offering a replacement without assessing the claim could also be premature, as the trader may not be aware of the consumer's rights under the law or the specific nature of the complaint. Offering store credit instead of a refund may not satisfy the consumer's request if they are seeking a cessation of the transaction and a return of their money. Thus, thoroughly assessing the claim before taking action ensures compliance with consumer law and

**2. What must businesses do to ensure their advertising is compliant with consumer law?**

- A. They should primarily focus on creativity**
- B. Adhere to strict regulations regarding truthful representations**
- C. Only display positive reviews and omit negative feedback**
- D. Include as much technical jargon as possible**

To ensure compliance with consumer law, businesses must adhere to strict regulations regarding truthful representations. This foundational principle is anchored in the concept that consumers have the right to receive accurate information about products and services. Misleading or deceptive advertising can lead to serious legal consequences as outlined in consumer protection legislation, such as the Fair Trading Act in New Zealand. By focusing on truthful representations, businesses not only align with legal standards but also foster trust and credibility with their customers. This can enhance customer loyalty and positively impact the company's reputation. Transparency in advertising helps consumers make informed decisions, which is a core idea behind effective consumer protection laws. Options that suggest a focus on creativity, displaying only positive reviews, or using excessive technical jargon do not align with these legal requirements. While creativity is important in advertising, it should not come at the expense of truthfulness and clarity. Omitting negative feedback can mislead consumers and is considered deceptive under consumer law. Lastly, while technical language can sometimes convey necessary details, it should not overwhelm the key messages, as clarity and understanding are crucial for consumer comprehension.

**3. What key factor contributed to the court's decision in Commerce Commission v Grenadier?**

- A. The use of vendor bids without disclosure**
- B. The auctioneer's mistake**
- C. The market condition**
- D. The transparency of the bids**

In the case of Commerce Commission v Grenadier, the court's decision focused significantly on the issue of vendor bids and the lack of disclosure surrounding them. Vendor bids are strategically placed bids by the seller during an auction process, which can create a misleading impression of competition among bidders. The court determined that the auctioneer's failure to adequately inform potential buyers about the existence and nature of vendor bids compromised the transparency of the auction. This lack of disclosure influenced the consumer's perception and could discourage genuine bidding from potential buyers, leading to a potentially unfair advantage for the seller. The ruling underscores the importance of transparency in auction practices and highlights that all parties involved should be clearly informed about the bidding process to ensure fair competition and prevent misleading conduct. Ensuring that vendor bids are disclosed properly allows for better informed consumers who can participate in the auction without misconceptions about the dynamics at play. This principle is crucial in Consumer Law, aiming to foster fairness and transparency in trade practices.

**4. Is it lawful for a trader to make false claims about a product?**

- A. Yes, if the claims are not substantial**
- B. No, it is prohibited under the Fair Trading Act**
- C. Yes, as long as a disclaimer is provided**
- D. No, but only if the product is defective**

The assertion that it is prohibited under the Fair Trading Act aligns with the principles set forth in New Zealand consumer law. The Fair Trading Act 1986 specifically targets misleading and deceptive conduct in trade, including the making of false claims about products. Under this legislation, traders are expressly prohibited from making statements that are false or misleading in relation to goods or services they offer. This includes any claims about the quality, characteristics, or suitability of the product that could deceive consumers. The intention of the law is to maintain honest trading and ensure that consumers are not misled when making purchasing decisions. The context provided by the Fair Trading Act ensures that all claims, regardless of whether they are deemed substantial or not, must be substantiated by the trader. There are no allowances for false claims simply because a disclaimer is attached or if the product is not defective. Such provisions are in place to protect consumers and promote fair competition among businesses.

**5. Are online purchases covered by New Zealand consumer law?**

- A. No, only in-store purchases**
- B. Yes, all purchases are covered**
- C. Only certain types of online purchases**
- D. Yes, but with restrictions**

In New Zealand, consumer law is designed to provide protections for consumers across various types of transactions, including those made online. The Consumer Guarantees Act and the Fair Trading Act apply to all consumer goods and services purchased in New Zealand, irrespective of whether the transaction occurs in a physical store or online. This means that online purchases are indeed covered by the same legal protections that apply to in-store purchases. Consumers benefit from guarantees that products are of acceptable quality, fit for purpose, and as described. Additionally, they are protected against misleading advertising and unfair trading practices regardless of the medium used for the purchase. This inclusive coverage is essential for maintaining consumer confidence in e-commerce and ensuring fair business practices in the digital marketplace. While there may be specific considerations based on the nature of the goods or the sellers' practices, the overarching principle of coverage remains applicable universally to all consumer purchases, including those made online. Therefore, the assertion that all purchases, online included, are covered by New Zealand consumer law accurately reflects the intent and scope of consumer protections in the country.

**6. What must a warranty include to be valid under New Zealand law?**

- A. Vague promises made by the seller**
- B. General industry standards**
- C. Specific consumer rights in addition to legal rights**
- D. A set duration with no conditions**

For a warranty to be valid under New Zealand law, it must include specific consumer rights in addition to the legal rights that consumers already possess. This ensures that the warranty provides clear and enforceable protections for the consumer beyond what is guaranteed by existing legislation. Warranties are intended to offer reassurance to consumers regarding the quality, fitness for purpose, and performance of goods or services. By explicitly stating specific rights, such as the right to repair, replacement, or refund if the product does not meet certain standards, a warranty can enhance consumer confidence and understanding. The inclusion of consumer rights helps establish expectations about what the consumer can count on if the product or service fails to meet the stated criteria, effectively providing a safety net that goes beyond general assurances or legal requirements. This specificity is essential for clarity in the transaction and assists in resolving any disputes regarding warranty claims. Importantly, while other options may have elements that are relevant to consumer expectations or industry practices, they do not meet the legal criteria for a valid warranty under the Consumer Guarantees Act and related legislation, which emphasizes the necessity of clearly defined, enforceable rights for the consumer.

**7. What can consumers do if their rights under the Consumer Guarantees Act are violated?**

- A. Seek compensation only from the supplier**
- B. Take legal action against the supplier**
- C. Return the goods for a refund only**
- D. Contact media for exposure**

Under the Consumer Guarantees Act (CGA), consumers have the right to take legal action against the supplier if their rights are violated. This is significant because the CGA provides consumers with protection and remedies when goods or services fail to meet certain guarantees, such as being of acceptable quality or fit for the particular purpose. Taking legal action allows consumers to seek various remedies, including compensation for losses incurred due to the violation, a repair, replacement, or in some cases, a refund. This reflects the intention of the Act to ensure that suppliers must adhere to these guarantees and that consumers have recourse when they do not. While other options provide possible responses, they do not fully capture the breadth of consumers' rights under the CGA. For instance, seeking compensation only from the supplier limits the potential remedies available, and returning goods for a refund may only be one aspect of what consumers can pursue. Contacting the media for exposure can raise awareness but does not directly address the legal rights or remedies that consumers are entitled to under the law.

**8. What is the purpose of the Fair Trading Act 1986?**

- A. To establish a minimum standard of products**
- B. To promote fair competition and protect consumers from deceptive practices**
- C. To enforce contracts between businesses**
- D. To regulate pricing in the retail market**

The Fair Trading Act 1986 is fundamentally designed to promote fair competition and protect consumers from misleading or deceptive practices. This legislation plays a crucial role in ensuring that businesses conduct their operations honestly and do not engage in any unfair methods of competition or exploitation of consumers. By focusing on transparency and truth in advertising, the Act aims to foster an equitable marketplace where consumers can make informed choices without falling victim to fraud or misrepresentation. It emphasizes that businesses have a responsibility to provide accurate information about their products and services, which helps build trust and ensures that consumers are treated fairly. This proactive stance against misleading conduct enhances consumer confidence and contributes to a more competitive and dynamic market environment. The other options provided do not capture the comprehensive nature of the Fair Trading Act. While establishing minimum standards for products, enforcing contracts, and regulating pricing may be components of a broader consumer protection framework, they fall outside the specific focus of the Fair Trading Act.

**9. What does Section 40 of the Consumer Guarantees Act address?**

- A. The rights of consumers regarding goods only**
- B. The obligation of suppliers under stricter laws**
- C. The availability of remedies for defective goods**
- D. The definition of consumer and trader roles**

Section 40 of the Consumer Guarantees Act primarily addresses the availability of remedies for defective goods. This provision essentially lays out the options available to consumers when they receive goods that do not meet the guarantees established by the Act, such as being of acceptable quality or fit for a particular purpose. When goods are found to be faulty, consumers are entitled to certain remedies, which may include repair, replacement, or a refund. This ensures that consumers have recourse when they purchase goods that fail to meet the expected standards. The act is designed to protect consumers by providing clear avenues for addressing issues with goods that do not comply with consumer guarantees. While the other choices may bring up relevant points about consumer law, they do not accurately reflect what Section 40 specifically addresses. For example, consumer rights regarding goods or the definitions of consumer and trader roles are vital components of consumer law but are covered in other sections. The obligations of suppliers are also important, but again, they relate more to overarching principles rather than the specific remedies available for defective goods as set out in Section 40.

**10. In assessing unfair contract terms, what does "reading a contract as a whole" imply?**

- A. Looking at individual terms in isolation**
- B. Considering how all terms work together in the contract**
- C. Evaluating the contract based on the longest term**
- D. A focus only on the first page of the contract**

Reading a contract as a whole implies considering how all terms in the contract work together. This approach ensures that the context, structure, and interrelations of the terms are evaluated rather than assessing each term in isolation. This holistic view is crucial in determining whether any specific term is unfair as per the guidelines set by the Consumer Guarantees Act and other relevant consumer protection laws. By analyzing the contract in its entirety, one can appreciate how various provisions impact each other and how they collectively affect the rights and obligations of the parties involved. This comprehensive approach aids in understanding the practical implications of a clause and whether it creates an imbalance that could be deemed unfair under consumer law. In contrast, looking at individual terms in isolation might miss critical contextual factors that can reveal the potential unfairness of a term when collated with others. Focusing only on specific terms or the longest term diminishes the structural integrity of the agreement, and concentrating solely on the first page ignores many relevant details found elsewhere in the contract. Overall, the emphasis on a holistic interpretation aligns with the consumer protection objectives of ensuring fairness and clarity in contractual agreements.