

Homeowners paying for lack of regulation in water heater rental industry, study says

Regulation and information necessary for consumers to benefit from increased competition

(Toronto, ON, March 5, 2013) Resolving issues with water heaters, the second most frequent complaint received by the Ontario Ministry of Consumer Services, is the topic of a new study from the Homeowner Protection Centre (HPC). The study, *Domestic Hot Water Tanks and Other Equipment: A Consumer Perspective*, suggests that without the necessary information to assess new choices and without safeguards and penalties to address market misconduct, homeowners who rent their water heaters are left to pay higher prices and endure poorer service.

Much of the report focuses on the distinct market in Ontario, where 6 of 10 homeowners rent the units. “Until the late 1990s, Ontario consumers never had choice in the water heater rental market, but when choice was made available they were not always provided with crucial information to make appropriate decisions. Today, consumers often lack details of their rental agreement or contract, leaving them unprepared to make choices, for example when approached by door-to-door salespeople pitching new rental contracts,” stated Michael Lio, Executive Director of the Homeowner Protection Centre.

This was demonstrated in HPC’s survey, where almost a third of surveyed homeowners who rent their water heaters did not know their rental company or their monthly rental rate. While these issues appear to be unique to Ontario, they are important and cautionary lessons for any market in any province.

“Increased competition generally leads to lower prices and improved service for homeowners. Without proper safeguards, however, newly opened markets can leave consumers vulnerable to misrepresentation, fraud, and dishonesty,” Mr. Lio continued. “With water heaters in Ontario, the push for competition has not led to the promised benefits.”

As a consequence, water heater complaints have jumped to the number two spot of the [Top 10 Complaints](#) at the Ontario Ministry of Consumer Services.

Opening a market to competition must strongly consider consumer information needs and consumer protection. Recourse to the courts as redress for wronged consumers may not be the best solution.

HPC suggests changes to the regulations that affect the industry. The changes would address three aspects of the marketplace based on the identified homeowner issues:

1. Changes to the regulation of door-to-door sales, that currently includes a 10 day cooling-off period, but that should also include a code of conduct. The code of conduct should require mandatory plain language information disclosure that describes monthly pricing, buy-out costs and exit fees, and terms and conditions.
2. Barriers to switching to new suppliers must be addressed. Barriers to competition include high contract buy-out and exit fees and restrictive appliance return depot hours of operation. As well, practices where consumer calls to cancel contracts are dropped or put on hold must also be addressed.
3. Enhanced consumer protection to address misapplication of products is required.

Stronger enforcement of regulations that includes financial penalties and/or revoked licenses for companies that fail to comply with regulations is needed.

What is clear from the Homeowner Protection Centre's study is that water heater rental competition needs to refocus on the consumer to make lower pricing and improved customer service a reality.

The HPC has provided a copy of its study to the newly appointed Ontario Minister of Consumer Services, The Honourable Tracy MacCharles.

For more information, visit: <http://www.homeownerprotection.ca/>

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*The **Homeowner Protection Centre** was established to advocate for homeowners and their important issues. It is a network of homeowners, builders, renovators, and home product and service suppliers who are committed to improving housing and housing-related services across Canada. The HPC is not-for-profit, and is supported through memberships and donations by homeowners and companies. Michael Lio, founder of the Homeowner Protection Centre, has represented consumers for almost 25 years on numerous boards, councils and committees.*