

1 July 2020

[REDACTED]

By email only: [REDACTED]

Dear [REDACTED]

### **Official Information Act #19.175 - Franchisee complaints**

1. We refer to your request received on 4 June 2020 for the following information:
  - 1.1 the number of complaints received by the Commerce Commission (the Commission) from franchisees about their franchisor since 1 January 2019; and
  - 1.2 anonymised examples of the complaints.
2. We have treated this as a request for information under the Official Information Act 1982 (OIA).

### **Our response**

3. We have decided to grant your request.
4. Our complaints database contains a number of searchable fields including the date received, complainant name, trader name and complaint description.
5. We have searched our complaints database within the relevant timeframe using the keywords "franchise" (will capture "franchise" and "franchisee") and/or "franchisor" and manually reviewed the results to find complaints from franchisees about their franchisor.<sup>1</sup>
6. If there are additional keywords (or search parameters) you would like us to run and assess for release, please let us know. We are happy to have a discussion about how you can structure a request for further information.

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<sup>1</sup> Please note this relies on complainants using one or more of the keywords in their complaint description.

7. This exercise returned 17 complaints from franchisees about their franchisor during the period from 1 January 2019 to 4 June 2020.
8. We have provided anonymised summaries of 13 of these complaints in **Attachment A** to this letter. The remaining four complaints contain issues which we consider are too uncommon or particular to a franchise to be anonymised.
9. Please note the Commission will be publishing this response to your request in the Official Information Act register on our website.<sup>2</sup> Your personal details will be redacted from the published response.
10. Please do not hesitate to contact us at [uia@comcom.govt.nz](mailto:uia@comcom.govt.nz) if you have any questions about this request.

Yours sincerely

*Mary Sheppard*  
OIA Coordinator

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<sup>2</sup> <https://comcom.govt.nz/about-us/requesting-official-information/oia-register>

## Complaints received by the Commerce Commission from franchisees about their franchisors between 1 January 2019 and 4 June 2020

**Collated for OIA 19.182 and retrieved on 4 June 2020**

Details	Summary
<b>Number:</b> ENQ0523151 <b>Date:</b> 20/02/2019	Franchisor has made changes which will cost franchisee a significant amount to implement. Franchisee states that franchisor is often trying to increase product prices. Franchisee feels it takes a long time to sort issues with franchisor. Franchisee feels franchisor just trying to take money from them.
<b>Number:</b> ENQ0522682 <b>Date:</b> 10/02/2019	Franchisor charges a marketing fee, but franchisee has not seen any marketing from the brand. Franchisee states there are a lot of breaches of the franchise agreement. Franchisee states that many franchises are closing or are for sale soon after previous sale.
<b>Number:</b> ENQ0524271 <b>Date:</b> 22/03/2019	Complainant has left franchise and states that franchisor breached several sections of the Fair Trading Act. Complainant states that conduct is ongoing with new franchise owners.
<b>Number:</b> ENQ0524587 <b>Date:</b> 25/03/2019	Complainant feels pressured into a franchise agreement without the franchisor providing full financial disclosure.
<b>Number:</b> ENQ0524782 <b>Date:</b> 9/04/2019	Franchisee states that franchisor promised higher income than what the franchisee is earning.
<b>Number:</b> ENQ0525552 <b>Date:</b> 18/04/2019	Franchisee states that franchisor provided incorrect financial information and changed supplier without notifying franchisee.
<b>Number:</b> ENQ0529632 <b>Date:</b> 4/06/2019	Complainant states that the franchisor provided false and misleading information to prospective purchasers.
<b>Number:</b> ENQ0526828 <b>Date:</b> 11/06/2019	Complainant has not received refund of franchise fee from franchisor after selling franchise.
<b>Number:</b> ENQ0529208 <b>Date:</b> 8/08/2019	Franchisor will not allow ex-franchisee to return unsold stock after franchise closed.
<b>Number:</b> ENQ0530574 <b>Date:</b> 2/09/2019	Franchisees state that franchisor misrepresented profit turnover and expected expenses.

Details	Summary
<b>Number:</b> ENQ0531524 <b>Date:</b> 6/10/2019	Franchisee feels bullied by franchisor and is too intimidated to take up issues with them. Franchisor did not provide support when asked.
<b>Number:</b> ENQ0532803 <b>Date:</b> 8/11/2019	Franchisee states franchisor charged them retail prices for products despite agreement to charge wholesale prices.
<b>Number:</b> ENQ0537336 <b>Date:</b> 30/03/2020	Franchisor charging franchise fees during COVID-19 lockdown.