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DEPARTMENT OF CONSUMER AFFAIRS CHARGES MIDTOWN ELECTRONICS STORE LAFNAC DIGITAL COMPUTERS WITH DECEPTIVE TRADE PRACTICES

Charges Include Deceptive Sales Tactics to Lure Tourists into Buying Electronics and Evading City Licensing Requirements

Department of Consumer Affairs (DCA) Commissioner Jonathan Mintz today announced charges against Midtown electronic store, Lafnac Digital Computers, Ltd. (5 West 42nd Street), including deceptive trade practices and unlicensed activity. Since Lafnac opened in 2002, DCA received and mediated more than 100 consumer complaints regarding its sales practices. Most of the complaints were filed by international tourists who reported Lafnac making false promises about products and prices, luring them into making purchases. These practices are in violation of the City's Consumer Protection Law, Truth-in-Pricing Law and the Rules of the City of New York. Lafnac, which sold computers, cameras and cell phones, also deceptively evaded the City's licensing law by attempting to make use of an exemption loophole. The loophole exempts stores that display less than 30 electronics items or use less than 20 percent of their display space for electronics from needing a license. The Department also charged Lafnac with engaging in unlicensed activity as a secondhand dealer and electronic service dealer.

"Although Lafnac has now chosen to close its doors, we are holding its owners accountable for the deceptive way in which they chose to do business with New Yorkers and those visiting our City," said Commissioner Jonathan Mintz. "We remind tourists and New Yorkers alike to only shop for electronics at licensed stores and to file a complaint with us if they encounter a problem."

In addition to unlicensed activity, DCA also charged Lafnac with engaging in a wide range of deceptive activity, including:

- Luring consumers into the store with fake "inventory sales"
- Selling used, refurbished and fake items but calling them new and brand-name items
- Adding "extras" such as accessories to orders without the consumers' knowledge
- Charging consumers more than the stated or agreed-upon price and relying on the "no refunds" policy when consumers demanded the transaction be cancelled
- Misrepresenting warranty coverage

One of the most popular items deceptively sold by Lafnac was Apple iPhones, which they presented as new, "unlocked" phones (i.e. phones that will work with any carrier) that in reality were fake or second-hand phones that were refurbished and "jailbroken," or unlocked without authorization. When consumers installed Apple software updates, often their phones would re-lock, making them unusable. The Department also charged the store with selling models of electronics that were inferior to the models requested by consumers but at the price of the better models.

Following an investigation, DCA issued a subpoena to Lafnac in June 2011. When Lafnac failed to respond, DCA filed an Order to Show Cause to comply with the subpoena in August. Lafnac responded by hastily going out of business, though not yet officially dissolving as a corporation. In September, DCA issued a Notice of Hearing, scheduled for October 11, 2011, to Lafnac and its principal, Haim Zarif.

DCA currently licenses more than 3,000 electronic stores. In FY2011, DCA received more than 350 complaints about electronic stores. The industry is consistently in the top five industries most complained about to the Department. Consumers can instantly check to see if an electronic store is licensed or file an official complaint about an electronic store online at nyc.gov/consumers or by calling 311. Consumers can also send enforcement tips about electronic stores that are selling old, refurbished products as new by

tweeting [@NYCDCA](#) or posting to DCA's [Facebook](#) page. Consumers and electronic stores can also download DCA's [Guide to Buying and Selling Electronics](#) and [Quick Tips for Shopping for Electronics](#).

DCA enforces the Consumer Protection Law and other related business laws throughout New York City. Empowering consumers and businesses to ensure a fair and vibrant marketplace, DCA licenses more than 78,000 businesses in 55 different industries. Through targeted outreach, partnerships with community and trade organizations, and informational materials, DCA educates consumers and businesses alike about their rights and responsibilities. DCA's Office of Financial Empowerment (OFE) is the first local government initiative in the nation with a mission to educate, empower, and protect New Yorkers with low incomes so they can build assets and make the most of their financial resources. Toward that end, OFE seeks to increase access to high-quality, low-cost financial education and counseling; improve access to income-boosting tax credits; connect households to safe and affordable banking and asset-building products and services; and enforce and improve consumer protections to enhance financial stability. For more information, call 311 or visit DCA online at nyc.gov/consumers. Follow us on [Twitter](#) and find us on [Facebook](#).

Quick Tips for Shopping at Electronic Stores

- **Always shop at licensed electronic stores.** Electronics stores operating in New York City must be licensed by DCA and they must post their license in a place where you can easily see it (e.g., near cash register). Check if an electronics store is licensed by calling 311 or visiting nyc.gov/consumers.
- **Request an itemized receipt and examine it closely for hidden charges.** Also look at the item's packaging. Many times an electronics store might advertise a low price but take out parts of the item and try to resell them to you at a higher price, making the total package an expensive purchase.
- **Look for the store's refund policy, which must be posted.** Some electronics stores may charge a "restocking" fee for returns.
- **Shop around and do some research on pricing before making a purchase.** If you know how much an item generally sells for, you will know if something looks expensive or is a good deal.
- **Inspect the item before purchasing.** An item may look new, but it could be used or rebuilt. Any product that has been used must be marked "used," "floor model," "rebuilt," or "refurbished."
- **Avoid buying extra warranties that may not give you anything that isn't already covered by the manufacturer's and retailer's warranties.**
- **Be sure to ask the retailer if any written warranties already come with the product and review the terms before agreeing to pay for additional warranties being offered through a service contract.** If there is no written warranty from the manufacturer, you may be dealing with a "grey market" item, which means it was not intended for sale in this country and is not covered by a manufacturer's warranty.
- **Avoid bait and switch.** Stores must supply what they advertise, at the advertised price. Beware if a salesperson tries to talk you into buying something else.