



Bob Aaron bob@aaron.ca

February 4, 2006

Time-shares: Don't buy under pressure

Since the Consumer Protection Act 2002 came into force on July 30, 2005, an Ontario consumer can cancel an agreement to purchase a time-share property, for any reason, within 10 days after receiving a written copy of the agreement.

This protection does not, however, extend to Ontario residents who purchase time-shares outside of the province or outside the country.

As a real estate lawyer, I have had a number of clients over the years who retained me with respect to time-share agreements they were sorry they'd signed. I was not alone in receiving this kind of complaint. Last year, the Ministry of Government Services received 829 complaints from Ontarians about time-share contracts.

I never quite understood the intense salesmanship that prompts otherwise astute consumers to sign long-term contracts for vacation destinations, so I decided to conduct a personal investigation into time-share marketing.

Last month, my wife Dorothy and I spent a week at an all-inclusive five-star resort in the Los Cabos region in Mexico. The Royal Solaris group is a growing Mexican-owned chain of hotels that offers visitors the opportunity to buy into its exclusive club membership.

My experience on numerous Mexican and Caribbean vacations in the past has been that tourists are frequently bombarded with offers of various types of freebies in exchange for listening to the sales pitch. I had always resisted the temptation.

On our visit in January, however, we accepted and enjoyed a free car rental for two days, and then showed up for a promised 90-minute presentation. Based on conversations with friends and clients, I believe that our time-share sales pitch was very similar to theirs in structure, presentation and pressure, except that the promised 90 minutes stretched to three hours and 15 minutes admittedly with our co-operation.

Our first contact was with Sofia, who took us to view the members-only beachfront rooms and explained some time-share terminology and benefits.

She said we would soon be offered one of the few remaining founder memberships.

After about 45 minutes, Rodrigo took over and explained how the special membership cost was a mere \$51,550 (all figures U.S.), including no annual fee for the 30-year duration of the program.

That figure rapidly dropped to \$49,750, then only \$19,995 with a number of free weeks and other frills thrown in. Fortunately, however, we were eligible for a special discount, lowering the price to \$16,995 for four weeks each year over the 30-year-period.

Rodrigo mentioned, too, that in order to use our annual high-season week at each Solaris resort, we would have to pay \$92 per person per day for the all-inclusive food provided by the hotel about \$1,300 for our seven-day stay.

It didn't take long to figure out that if we bought and used the time-share membership, it would cost more in one week just for food than we paid for the entire trip, including food, airfare and transfers.

At this point, the sales pressure was stepped up. Written notes of prices and extras were flying across the table, and I was tempted to buy just to stop the sales pitch. "Se or," Rodrigo pleaded, "come on!"

Wanting to see what would happen, I continued to express resistance and watched the price drop to \$15,900, then \$13,900, \$10,900 and finally \$9,800, with extra bonus weeks flying in and out of the deal.

Rodrigo eventually gave up and his manager came over with a questionnaire on Rodrigo's performance. It turned out that the answers were irrelevant, as it was just another sales pitch, with even more freebies and VIP weeks thrown in. I knew the manager was important because he wore a Rolex watch and used a Montblanc pen.

By the time the price dropped to \$8,900, even I was confused as to what was and was not on the table, despite the copious notes I was taking.

Eduardo then took over also sporting a Rolex and, now, two Montblancs.

His function was to introduce Jorge, the developer's personal representative, who had a gold Rolex and two gold Montblancs. Jorge was really smooth, and introduced a shortened three- to five-year plan for a mere \$4,995. With 15 free weeks and a few cruises thrown in, I was made to feel that they were giving it all away.

After almost an hour with Jorge, I was totally worn out and finally said what I should have said two hours earlier: "No thanks."

What I did get for free was a fascinating example of high-pressure salesmanship, and the psychology of selling.

I later discovered that the time-shares I was being offered were available on Internet resale sites at less than half of the developer's prices.

Here's what I learned from my experience:

- Never show interest. It only encourages them. At the same time, asking questions is the only way to get a thorough explanation of what is actually for sale.
- A time-share is worthless if you can't get there. Make sure your travel destination is served by scheduled or charter airlines.
- If you're tempted to buy, wait a bit. The price will drop. Or go for the resales.
- Calculate the extras for food and airport transfers. Often, a travel agent can do better with a package deal.
- Recognize that buying a time-share involves a significant commitment of time and money to one set of vacation parameters. If you don't use it, you lose it.
- Time-shares are not liquid. The resale market is limited and the resale values are subject to huge discounts.
- Annual fees are payable whether you use the time-share or not. And they may increase without limit.
- Contracts signed outside of Ontario typically do not have a cooling-off period. Once the ink is dry, it's binding.
- Have the contract checked out by an independent lawyer in the country where the sale takes place.
- It may be difficult or impossible to exchange use of a time-share for another property elsewhere.

Bob Aaron is a Toronto real estate lawyer. www.aaron.ca ©Aaron & Aaron. All Rights Reserved.