

27 February 2026

ADT Security Limited
8 Henderson Place
Onehunga
Auckland 1061

Attention: [REDACTED] Head of Business Operations

By email only: [REDACTED]

Dear [REDACTED],

Fair Trading Act 1986: Warning for misrepresentation about ADT's right to charge customers

1. The Commerce Commission (**Commission**) has completed its investigation into ADT Security Limited (**ADT**) under the Fair Trading Act 1986 (the **Act**) for conduct that involved charging customers beyond termination of their contract.
2. The investigation considered whether ADT had made a false or misleading representation about its right to charge customers, by continuing to debit and/or issue invoices stating payment was required to customers whose contracts with ADT had ended or had been cancelled (the **investigation**).
3. After fully considering the relevant information received, the Commission considers that ADT may have breached section 13(i) of the Act.
4. In this instance, the Commission has decided that the appropriate enforcement response is to issue ADT with a warning, rather than commence criminal proceedings. The Commission notes that only a Court can determine whether there has been a breach of the Act.
5. The purpose of this warning is to inform you of the Commission's views on why there may have been a breach of the Act and to encourage future compliance. Legal action remains available to the Commission in future if the conduct continues or is repeated.

Details of the Commission's investigation

6. The Commission investigated allegations that ADT was continuing to charge customers whose security equipment and/or monitoring services contract had either ended or been cancelled, in that:
 - 6.1 ADT erroneously continued to charge customers who had entered into a lease-to-own agreement, where that agreement had come to an end and the billing should have automatically stopped (**lease-to-own matter**); and
 - 6.2 ADT's delay in processing cancellation requests from customers wanting to end their contract, caused ADT to continue charging customers despite having received their cancellation request (**billing beyond cancellation matter**).
7. During the investigation, the Commission obtained and considered the following information:
 - 7.1 three complaints from residential and business customers of ADT who had been charged after termination and experienced difficulties obtaining a refund;
 - 7.2 a witness statement from one complainant;
 - 7.3 information and documents supplied by ADT in response to voluntary requests for information on 10 April, 5 August and 6 October, and a voluntary interview on 10 September 2025, which covered:
 - 7.3.1 information and documents about ADT's business, including the nature of contracts offered and the changes operated since ADT's change of ownership in August 2023;
 - 7.3.2 information about the scope of the conduct; and
 - 7.3.3 20 sample of customer files copies, including invoices issued to customers after termination of their contract.

Details of the relevant law

8. The Act prohibits false and misleading information by businesses in the promotion and sale of goods or services.
9. Section 13(i) prohibits those in trade from making false or misleading representations concerning the existence, exclusion, or effect of any condition or right under the contract.

The Commission's view

10. The Commission's view is that there is sufficient evidence to establish that ADT may have breached section 13(i) of the Act. The reasons for the Commission's view are set out below.

Lease-to-own matter

11. Prior to August 2023, all ADT contracts had a specific term (e.g. 12/24/36/48 months) and included a rollover clause under which the contract would continue after the end of the initial term until either party gave notice of cancellation in writing.
12. ADT offered an ADT-owned subscriber model where the CCTV equipment was meant to remain in the ownership of ADT and customers paid a monthly fee for the hire of security equipment and maintenance of the equipment.
13. Between 2016 and February 2023, ADT sold 1,858 agreements for CCTV equipment containing additional handwritten amendments stating that the agreements were "lease to own" (LTO). Despite the LTO agreements containing the standard rollover clause, ADT considered and represented to customers that the handwritten alterations had the effect of changing the nature of these agreements in that ownership of the CCTV equipment would transfer to customers at the end of the fixed term. At this point customer's payment should have stopped.
14. However, the change of nature of the LTO agreements was not captured in ADT's customer management and billing systems, and no mechanism was built to ensure the billing would stop at the end date of the agreement.
15. The LTO agreements were sold by ADT's field sales team, tasked with subscriber sales in the residential and small business market. The team's remuneration structure was heavily based on commission.
16. Out of the 1,858 LTO agreements entered into:
- 16.1 1,173 agreements have already ended.
 - 16.2 In 115 instances, billing continued and customers were overcharged \$179,867. Of those, 62 customers stopped being charged after the Commission raised overcharged concerns with ADT.
 - 16.3 685 agreements are still ongoing.
17. ADT advised that it is unclear how or why the field sales team was inserting the LTO clause into the LTO agreements. Those agreements were sold in error, and it is not something the field sales team should have been doing. All members and managers of the field sales team have now left ADT as part of a wider restructure.

18. However, ADT did not take any measures to remedy the matter at the time it uncovered the existence of LTO agreements during an internal audit early 2023. Instead, rather than proactively contacting customers ADT decided to wait for customers to identify that they had been overcharged and then contact ADT.
19. The Commission considers that by continuing to debit and/or issue invoices stating payment was required to 115 customers whose LTO contract had already ended, ADT likely misrepresented to them that it had a right to continue billing them for the cost of their contract in circumstances where it was unlikely ADT had the contractual right to do so, contrary to section 13(i) of the Act.

Billing beyond cancellation matter

20. The ADT contract requires that cancellation be made in writing. The termination process, which involves ADT's staff verifying the customer's account, confirming their intent and finalising the service termination, may take up to 30 days.
21. Between 1 January 2021 and April 2025, 235 customers were overcharged \$41,881 because ADT continued to charge them after they had cancelled their agreement. All but 4 customers had already been refunded before the start of the Commission investigation.
22. ADT stated that some cancellation requests were made over the phone despite ADT's contracts requiring that cancellation be made in writing, leading to processing challenges.
23. It is however unclear whether customer service staff were telling customers calling to cancel their contract that they should make a request in writing. If ADT was accepting verbal cancellations without noting the requirement to cancel in writing, it would be acting inconsistently with its own terms making it difficult for ADT to then argue that it is the customer's fault for not following the agreement.
24. In any case, ADT has admitted that delay in processing cancellation requests was also caused by a shortage of staff and the fact that prior to ADT's change of ownership, its leadership team was based overseas which slowed down the approval process.
25. The Commission's view is that by continuing to debit and/or issue invoices stating payment was required to 235 customers who had already cancelled their security services contract, ADT likely made misleading representations that it had a right to charge those customers for services when it likely did not have that right, contrary to section 13(i) of the Act.

Defences

26. The Commission has considered the facts and information provided by ADT and on that basis, the Commission does not consider that any of the statutory defences of section 44 of the Act are available to ADT in relation to the conduct.

Response from ADT

27. During our investigation, ADT was cooperative. ADT provided clear and complete information, admitted the conduct and put in place a remediation plan for affected customers.
28. The Commission wrote to ADT on 3 February 2026 to provide it with a final opportunity to comment on the intention to issue a warning, provide any further relevant information, and identify any information that is incorrect.
29. ADT responded to this letter accepting the conduct and the Commission's findings and intention to issue a warning.
30. Having considered ADT's response, the Commission's final view remains that there is sufficient evidence to establish that ADT may have breached section 13(i) of the Act.

Enforcement action for breaching the Act

31. Where the Commission considers that a person or business may have breached the Act, there are a range of potential enforcement responses available.
32. The Commission reiterates that its view is based on the information collected during the investigation, and that only a court can determine whether there has been a breach of the Act. Only a court can impose penalties where it finds the law has been broken. A company that breaches the Act can be fined up to \$600,000 per offence.
33. In deciding on the appropriate enforcement response in this case, the Commission has considered the extent of the harm, the seriousness of the conduct, and the public interest. The Commission has also taken into consideration:
 - 33.1 The industry (provision of security services) that ADT is operating in.
 - 33.2 ADT's limited high level enforcement history with the Commission.
 - 33.3 The conduct is historic and occurred during ADT's previous ownership.
 - 33.4 The conduct has been remediated:
 - 33.4.1 ADT has stopped selling LTO agreements in February 2023. All affected customers have now been refunded, and ADT has taken measures to ensure that billing of active LTO agreements will stop at the contract end date.
 - 33.4.2 Since its change of ownership, ADT has made changes and improvements to its processes including expanding those authorised to approve credits and refunds, and bringing back all relevant staff to New Zealand.

34. Further detail on the Commission's approach to making enforcement decisions, the content of a warning, and the Commission's publication approach is contained in the Commission's Enforcement Response Guidelines.¹

Consequences of a warning

35. A warning represents the Commission's view that the conduct in which ADT has engaged may have breached the Act and that legal action would remain available to the Commission in the future if the conduct continues or is repeated.
36. The Commission may draw a warning to the attention of a court if any subsequent proceedings were brought by the Commission against ADT.
37. The Commission may also take a warning into account in the event of continued or repeated similar conduct by ADT.

Publication

38. This warning is public information and will be published on the case register on the Commission's website. The Commission may decide to redact some details from the published version, such as personal information.
39. The Commission may also make public comment about its investigations and conclusions, including issuing a media release, making comment to media or otherwise publicising the outcome (such as on its social media forums).

Further information

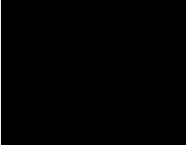
40. The Commission encourages ADT to regularly review its compliance procedures and policies and seek legal advice about the application of the Act to its business.
41. To avoid breaching the Act in the future, the Commission recommends that ADT ensures it has a legal basis to seek payment from customers, and that it does not attempt to charge customers beyond termination of their contract.
42. The Commission has published a series of fact sheets and other resources to help businesses comply with the legislation we enforce. These are available on the Commission website at www.comcom.govt.nz. The Commission encourages ADT to visit our website to better understand its obligations and the Commission's role in enforcing the Act.
43. You can also view the FT Act and other legislation at www.legislation.co.nz.

¹ Available on the Commission's website at https://comcom.govt.nz/_data/assets/pdf_file/0016/356002/Enforcement-Response-Guidelines-July-2024.pdf.

Review of the Commission's decision

44. ADT is entitled to request a review of the Commission's decision to issue this warning only if it identifies relevant material that was not considered as part of the decision. ADT must request a review within one month of this warning being issued. Any review will be handled in accordance with the Commission's complaints process. Please submit any review request to contact@comcom.govt.nz.

Yours sincerely



Head of Fair Trading and Product Safety Investigations