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## Rise in Consumer Damage from Gym Membership Termination due to COVID-19

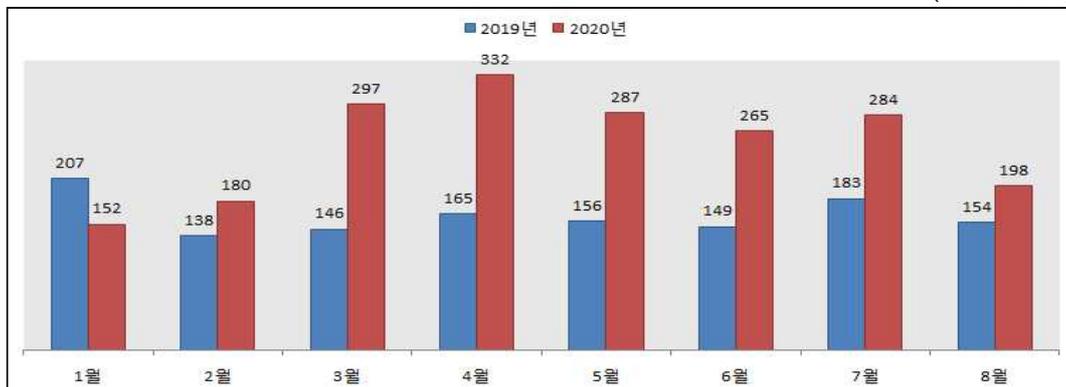
- Sign as short-term member if possible & minimize damage by paying in allotments with credit card -

Amid the spread of COVID-19, access to indoor training facilities are limited and avoided, and as a result consumer dispute over membership termination are rising. Special precaution is required for consumers, as there are also many cases where consumers are falling victim to businesses closing down or not responding.

To this end, Korea Consumer Agency (KCA, President Lee Hee-sook) found that applications for damage redress related to fitness centers amounted to 1,995 from January to August 2020. The figure which rose by 53.7% year-on-year (2019: 1,298 cases) started to hike since February when COVID-19 proliferated in earnest, and is fluctuating according to the government's social distancing measures and other reasons.

**[ Applications for damage redress related to fitness center ]**

(Unit: Case)



**☐ Most damages related to contract termination, with damages due to out of contact or shutdown**

An analysis on 1,995 cases applied for damage redress showed that majority of damages were related to “contract termination (93.1%, 1,858 cases).” This is due to rising demands from consumers to cancel the contract, as access to gyms were restricted or members avoided using fitness centers due to COVID-19.

Among 1,858 consumer damage cases related to contract termination, or delayed refunds due to financial difficulties. Moreover, there were also cases where damages were difficult to be compensated, as gyms were already shut down or is about to go out of business (4.1%, 77 cases).

**☐ 70% Long-term contract (over 12 months) takes around 40%, and around 70% paid in lump-sum**

When reviewing 1,066 cases confirmed with their contract periods, most contracts (94.2%) were made as long-term (over 3 months). Long-term contracts (exceeding 12 months) alone took up 39.5% (421 cases), as discount rates are suggested higher when contract period is longer.

In addition, it was found that 69.4% among the 1,386 payments confirmed on their payment types were paid in cash or credit card in lump sum.

When long-term gym membership was paid in cash or credit card in lump sum, consumers cannot exercise their rights to protest allotment payment\* even when the business owner fails to fulfill the contract, turns down a reasonable termination request and goes out of touch, or closes down their businesses. As COVID-19 lingers, precaution is required when contracting and paying fitness centers, as access may be restricted.

\* Right to refuse payment of remaining allotment to the credit card company when there are reasons (e.g. business shut down, denial of reasonable demand for contract termination, Etc.)

[ Application for damage redress per contract period ]

(Unit: Case, %)

Period	Less than 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
Case	62	357	226	421	1,066
Ratio	5.8	33.5	21.2	39.5	100.0

Sign as short-term member if possible & minimize damage by paying in allotments with credit card

To prevent damage to consumers related to fitness centers, KCA urged to minimize dispute by ▲ not falling into events and discounts, and sign as short-term contract if possible, ▲ pay in allotments by credit card in case of shutdown and others when signing long-term contracts, ▲ comply with COVID-19 preventive measures when using fitness centers after signing the contract, and ▲ when access to gym is limited due to COVID-19, actively seek to extend the contract period instead of terminating the contract, and secure evidence material such as contract extension agreement, text message, phone conversation records and others.

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