

BRIEFCASE

Selling Used Goods: Insurance

Many charities collect second-hand items for resale and use charity shops, boot sales or jumble sales to raise extra money for their cause. However, whenever selling or re-selling goods, organisations must should understand the potential exposure and liability that they are open to, as well as the insurance implications of selling used goods. We have written another article on managing risk when selling used goods.

Introduction

Any organisation selling goods 'by way of business', as would be the case for Charity Shops, will be liable under the [Consumer Protection Act 1987](#), as well as other relevant laws such as the [Sale of Goods Act 1979](#), and general consumer protection legislation such as the [Trade Descriptions Act 1968](#).

Two key parts of the Consumer Protection Act that are relevant to Charity Shops are Part I: Products Liability and Part II: Consumer Safety.

Products Liability

Products Liability is both Part I of the Consumer Protection Act and also the name commonly given to a well-known insurance cover.

In terms of the Consumer Protection Act, Products Liability refers to liability for defective products.

Products Liability insurance cover is designed to offer some protection against claims for damage caused by defective products or criminal proceedings bought against an organisation in relation to their supply of defective goods and their breach of the Consumer Protection Act.

Products Liability covers you for the cost of a claim for injury or damage caused by a product you either supply or produce and is often packaged with Public Liability.

Consumer Safety

Whilst Products Liability generally refers to manufactured products, which are less relevant to organisations selling used goods, Part II of the Consumer Protection Act relates to Consumer Safety.

This Part lays out the safety regulations that must be followed when selling both new and used goods.

Whilst your organisation may have some protection from a Products Liability policy when selling used goods, you should check your policy to determine if there are any exclusions. You will likely have to demonstrate that you tried to adhere to the Consumer Protection Act in order to be covered; if you do not adhere to the law, for example if you fail to test goods when you are required to, you may not be covered by your Products Liability insurance or any other cover.

Real-world Examples

A defective product is unknowingly sold by a competent Charity Shop...

An organisation received a donated item that was inspected and checked (and tested if necessary) and was suitable for re-sale. However, at a later date an inherent manufacturing defect caused damage to the consumer.

Result: you **may** be covered by your Products Liability insurance. In this case, either your Products Liability insurer would pay the claim and then seek to subrogate to the manufacturers insurer or the manufacturer would take on the claim.

A defective product is sold without the appropriate testing having taken place...

An organisation receives a donated electrical item. The item is not in good condition and was not tested to ensure it was suitable for sale. At a later date the item malfunctions due to worn wiring which was present at the time of sale – a fault that should have been picked up in testing – causing damage to the consumer.

Result: you **may not** be covered by your Products Liability insurance. In this case, if your policy dictates that you must follow electrical testing regulations or excluded non-tested items, then your may not be covered and would be liable.

More Information

You can find out more from the Charity Commission's [guidance on how charities may lawfully trade](#) and from the [Charity Retail Association](#).

Selling Used Goods – Insurance KC21.100

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