

Circuit City Bankruptcy Could Cause Problems for Bargain Hunters

On November 10, 2008, Circuit City filed for reorganization under Chapter 11 of the United States Bankruptcy Code. However, Circuit City was unable to find a buyer or obtain a refinancing deal. Instead, Circuit City will convert to a Chapter 7 liquidation. This will result in the closure of its remaining 567 stores and more than 30,000 employees will lose their jobs.

As Circuit City liquidates the remainder of its inventory, consumers will undoubtedly be looking for bargains. However, those bargains will come with a risk. Circuit City will most likely adopt an "all sales are final" policy, so returns and exchanges of damaged or defective merchandise may be difficult.

The risk is particularly great when purchasing a big-ticket item such as a flat-screen TV, which may be difficult or extremely inconvenient to replace or repair. In some cases, the manufacturer's warranty may be sufficient to protect the consumer. In other cases, the buyers may be protected by extended warranties provided and administered by third parties that may be obligated despite the Circuit City bankruptcy.

With enough care and research, consumers will be able to find fantastic bargains due to the misfortune of Circuit City. The following tips may provide some additional protection to buyers:

1. **Make your Circuit City purchases on a credit card.** Even with a "no return" policy, you might be able to dispute credit card charges in case you have a problem with the merchandise. Federal law gives consumers broad protections when it comes to credit card purchases.
2. **Investigate the terms of the warranty before you buy.** Some manufacturers like HP require you to send in an item to be repaired rather than offering an exchange or replacement. Other manufacturers are more generous with their replacement/repair policies and will promptly send replacements for defective merchandise.

3. **Avoid extended warranties.** This [informative article](#) includes a list of 5 important reasons to avoid extended warranties or service contracts. If Circuit City is out of business or fails to transmit the money for the warranty to the third party administrator, the extended warranty or service contract may be worthless. Circuit City also offers an in-home repair service, but it can be difficult to schedule an appointment.

With care and proper investigation, the unfortunate demise of Circuit City may allow consumers to find excellent bargains on electronics. However, care should be taken before making a purchase.

About the Author: [Carl H. Starrett II](#) has been a licensed attorney since 1993 and is a member in good standing with the California State Bar and the San Diego County Bar Association. Mr. Starrett practices in the areas of [bankruptcy](#), [business litigation](#), [construction](#), [corporate planning](#) and [debt collection](#).