

**Revised Statutory Cooling Off Provisions as a Solution to the Market for  
Lemons Problem in Business Format Franchising**

Courtenay Atwell  
Doctoral Candidate  
School of Taxation and Business Law  
UNSW Australia  
Kensington, NSW, 2052  
Australia  
Telephone: +61403553836  
Email : [c.atwell@student.unsw.edu.au](mailto:c.atwell@student.unsw.edu.au)

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### **Abstract**

In this paper I apply George Akerlof's 'market for lemons' hypothesis to the business format franchise model. The insights facilitated through the application of Akerlof's model assist in the identification of expectation disparities that occur in the beginning stages of the relationship between a franchisee and franchisor. Using these insights, the statutory cooling off period is proposed as a potential legislative solution which, following some amendments, could be a remedy for the majority of franchisee initiated complaints in the pre- and early contractual stages. The proposed amendments to the cooling off period to increase its utility include verbal disclosure, the inclusion of reciprocal rights, event-triggered and successive periods and options.

**Key words:** Consumer Protection in Franchising, Cooling off period, Franchise Failure, Market for Lemons, Pre-contractual Franchise Relations.