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A New Profile for Consumer Issues

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Consumer issues have once again come into the public spotlight as a result of recent developments in the marketplace both at home and abroad. This double issue of *Consumer Quarterly* examines the challenges facing consumers and explores how governments are responding in Canada and abroad.

Consumers in Today's Marketplace

Consumers face a marketplace characterized by rapid change stemming from globalization; deregulation; rapidly changing technologies affecting the kinds of goods and services companies offer, as well as how they market and deliver them; and frequent changes in major market players.

Several trends are emerging in response to these forces. There has been an explosion in new products and services that require consumers to have considerable information to assess their value and implications. At the same time, there are growing disparities — based on income, skills and education — in consumers' ability to profit from changes in the marketplace. In addition, traditional regulatory approaches are having difficulty keeping pace with protecting the consumer interest and providing appropriate levels of redress.

It is little wonder then that a number of consumer-related issues have become flash-points, especially when people perceive health and safety to be at stake or when particular industries seem to be profiting excessively at consumers' expense. Recent examples include

the controversy in Europe about food safety, and Canadians' concern about the impact of proposed bank mergers on the choice and cost of banking services.

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In response to these pressures, new consumer policy initiatives are emerging in Europe, Britain, the United States and Canada. These new initiatives seek to address a number of consumer concerns: the need for stronger consumer perspectives in policy development; the lack of clear and accessible information for consumers in complex markets such as financial services; the desire for more effective redress and enforcement mechanisms, especially in new markets such as electronic commerce; and better access, especially for lower-income consumers, to rapidly changing markets such as financial services.



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organization — and provide training support for 5000 new volunteers to effectively represent the consumer by bringing the consumer voice more fully into policy making.

Consumer Information

Initiatives include a new consumer advice network linked to legal services, an Internet-based consumer gateway providing access to government consumer information and a test of local consumer helplines on a pilot basis.

Customer Service and Redress

An Office of Fair Trading-approved code of practice will guarantee high standards of customer service and redress (based on core principles developed by government, consumers and private sector representatives).

Consumers will be able to identify companies that adhere to the code by a special symbol. On the Internet, the symbol will denote companies that guarantee payment security and privacy and do not target children.

Enforcement

Britain will place tougher controls on misinformation; give new powers to the Office of Fair Trading and others, including consumer organizations, to clamp down on rogue actors; and quickly introduce legislation to outlaw new scams.

Electronic Commerce

The government will work with business and consumer representatives to develop consumer protection principles for electronic commerce. It will also set up a body to accredit codes that follow these principles

and work with the European Union and the Organisation for Economic Co-operation and Development on codes that apply broadly.

Financial Services

The government will review its regulations on consumer credit and other financial services, and set up a single, compulsory ombudsman scheme to replace the eight existing schemes, some of which are voluntary.

Price Comparisons

The government compared the prices of some 100 products in France, Germany, the U.S. and the U.K. The government will use the results, which were published in January, to identify those markets that competition authorities should investigate and, if necessary, act on to end anti-competitive practices.

U.S. Increases Financial Privacy and Consumer Protection ■ ■ ■ ■ ■

In May 1999, U.S. President Bill Clinton introduced the Financial Privacy and Consumer Protection Initiative. Rapid changes in the financial services industry provided the impetus for this move, as many consumers are finding they lack the knowledge to properly evaluate financial services products. These consumers are falling victim to new abusive practices or are being left out of the financial marketplace altogether. The U.S. President called for action to protect privacy, enhance credit disclosure, combat Internet fraud, increase access to credit and banking services, and expand financial education. The initiative covers a number of elements:

Protecting Privacy

The Congress is considering severe restrictions on information sharing within financial services conglomerates to enhance financial privacy protection.

Enhancing Disclosure

The short-term low “teaser” rate and the higher annual percentage rate that applies after the introductory period, which appear on the nearly four billion solicitations credit card companies send out each year, must be equally prominent. The applications must also provide information on the cost implications of making a minimum monthly payment, which is often only two or three percent of the outstanding balance.

Combatting Fraud

The Department of Justice will step up prosecutions against identity theft and fraud over the Internet, and will create a national centre to track Internet fraud.

Increasing Access

The Treasury Department will make low-fee bank accounts available to those who receive federal benefits. It will also strengthen the *Community Reinvestment Act* to require banks to reinvest in the communities they serve.

Expanding Education

The Department of Education will set up a financial literacy program through the National Economic Council.



Moving Forward: Consumer Protection in Canada ■ ■ ■ ■ ■ ■ ■ ■ ■ ■

All levels of government in Canada are committed to protecting and serving the consumer interest. There is a broad range of initiatives in place, or planned, to help Canadian consumers face the challenges of a rapidly changing marketplace. Some of these initiatives respond to pressures in particular jurisdictions and others are the result of cooperation among all governments.

Federal, provincial and territorial ministers responsible for consumer affairs have met annually, most recently in November 1999, to take stock of consumer issues in the marketplace, identify opportunities for collaborative efforts and direct the work of officials on the intergovernmental Consumer Measures Committee.

Current efforts by governments in Canada focus on a number of key areas: increasing information for consumers, bringing consumer perspectives to policy development, promoting cooperative enforcement, enhancing consumer protection in electronic commerce, addressing consumer issues in the financial services sector and improving consumer redress.

Consumer Information

Consumers need clear, accessible information to make choices in the increasingly complex marketplace. Industry Canada's interactive Consumer Connection Web site (<http://consumerconnection.ic.gc.ca>)

offers access to innovative products and to consumer information on a range of topics. The federal, provincial and territorial governments, through the Consumer Measures Committee, have collaborated in developing the *Canadian Consumer Handbook*, launched in March 1999, which provides information and advice to consumers on many products and services. It is available from provincial and territorial governments and on Consumer Connection. The federal government is also developing, on a pilot basis, an Internet consumer gateway to facilitate public access to all federal consumer information and services.

WHO MINDS CONSUMER INTERESTS IN CANADA?

In Canada, consumer issues are the shared responsibility of the federal and provincial/territorial governments. Within the federal government, Industry Canada's Office of Consumer Affairs promotes a fair and efficient marketplace for the benefit of Canadian consumers. The Office is active on a broad range of consumer issues, focussed around three themes: making critical marketplace information available to consumers, working with partners to protect the consumer interest, and acting on key emerging consumer policy issues.

Industry Canada's Competition Bureau is a major enforcer of consumer legislation in such areas as misleading advertising and labelling, and deceptive telemarketing. Health Canada regulates health and safety risks related to the sale and use of drugs, food, chemicals, medical devices, cosmetics and some consumer products. It can ban, regulate or initiate voluntary recalls of products such as lighters, children's sleep wear or hockey helmets found to be hazardous to consumers. The Canadian Food Inspection Agency enforces several acts to ensure a safe, high-quality food supply, and it can recall any

food, animal or plant it considers to be posing a health risk.

Provincial and territorial governments, through their jurisdiction over contract law, play a direct role in regulating day-to-day consumer transactions. They license or regulate, among other things, credit reporting agencies, pawnbrokers and direct or itinerant sellers. The provinces and territories also establish important consumer rights, such as the right to cancel a contract, or to seek monetary damages or refunds in certain circumstances. For example, in order to protect consumers from high-pressure sales tactics, every province and territory requires that door-to-door sellers be licensed and that consumers have a specified number of days during which they can cancel a contract. Consumers can also obtain advice on the wide variety of marketplace practices provincial and territorial governments regulate, including landlord-tenant rules, warranties and collection agency practices, by contacting their provincial or territorial consumer protection agency.



Consumer Perspectives in Policy Development

The Office of Consumer Affairs works closely with consumer groups to build their capacity for research and participation in policy development. Contributions to consumer organizations for policy research and the involvement of these groups in collaborative work with governments and business are leading, in many areas, to policies that better reflect the consumer perspective. For example, the Office is actively promoting the use of voluntary codes — developed with the involvement and support of consumer groups, other non-governmental organizations and the private sector — for consumer protection in a number of sectors.

Cooperative Enforcement

Through the Consumer Measures Committee, federal, provincial and territorial governments have been working together to crack down on rogue players in the marketplace. The development of Canshare, an Internet-based data base for law enforcement agencies, has strengthened the ability of these agencies to work together. While cooperative enforcement efforts cut across a range of issues, governments have made a concerted effort to reduce telemarketing fraud and scams. A new area of focus will be abusive practices by collection agencies.

Electronic Commerce

The Working Group on Consumers and Electronic Commerce comprises representatives from Canadian business and consumer organizations and officials from the Office of Consumer Affairs and a number of provincial consumer ministries. The Group recently launched *Principles of Consumer Protection for Electronic*

Commerce: A Canadian Framework, which calls for protection for consumers shopping on-line equivalent to that available in traditional forms of commerce. The principles guide Internet merchants as they do business with consumers. Future work identified by all governments will involve harmonizing consumer protection legislation, developing consumer education and information products, and identifying ways to work with the private sector to develop trust marks for merchant certification and on-line consumer redress mechanisms.

Federal, provincial and territorial governments have been working together to crack down on rogue players in the marketplace.

Financial Services

Canadian governments have been very active in this area. The federal government released *Reforming Canada's Financial Services Sector: A Framework for the Future* in June 1999. The framework includes a strong consumer focus and proposes a number of new initiatives: public notification of bank branch closures, low-cost bank accounts, an independent Canadian Financial Services Ombudsman and a new financial consumer agency.

The marketplace for financial services has become increasingly complex, necessitating information and tools to help consumers make informed choices. Industry Canada has developed the very popular Financial Service Charges Calculator and Credit Card Costs Calculator, which are available on Consumer Connection. The department is currently working with the Ontario Securities Commission to develop

a similar calculator to educate consumers about the long-term cost implications of mutual fund management fees.

The provincial and territorial governments have also taken important steps to provide consumers with information on the true cost of the money they borrow by harmonizing the rules on the disclosure of information about the cost of credit. Through the Consumer Measures Committee, federal, provincial and territorial governments have begun new work in the area of financial services, focussing on the challenges vulnerable consumers face when looking for low-dollar-value, short-term credit. As a first step, governments will bring consumer and business stakeholders together to define areas of concern and discuss options to address them. The Committee will also investigate how to raise consumer awareness about market players, their practices and the costs of their credit services.

Consumer Redress

The Consumer Measures Committee will establish a task force on market-based approaches to consumer redress. The task force will benchmark best practices and work with business and consumer organizations to develop tools to encourage business and consumers to use more effective mechanisms for complaints prevention, handling and dispute resolution.



What's New on Consumer Connection?

Consumer Connection, the Office of Consumer Affairs' award-winning Web site, proudly sports a new look.

This makeover, which is one of many projects in the Office's "new look" campaign, has transformed Consumer Connection into an eye-catching site offering more useful information than ever before. Consumer Connection offers a multitude of details on everything from technology and money to laws and codes. It also offers helpful tips on how to save money on financial service charges and how to register

complaints effectively, and features a search engine that allows you to find what you're looking for in just a few key strokes. Soon to be added is a fraud quiz that measures your susceptibility to scams.

With its new look and layout, Consumer Connection remains *the* reliable and authoritative source of Canadian consumer information. Check out Consumer Connection (<http://consumerconnection.ic.gc.ca>).

FOR FURTHER INFORMATION

- about consumer protection, contact Philip Halliday, Legal Policy Analyst
E-mail: halliday.philip@ic.gc.ca
Tel.: (613) 952-5632
- about *Consumer Quarterly*, contact Cathy Enright, Office of Consumer Affairs
E-mail: enright.cathy@ic.gc.ca
Tel.: (613) 952-3466

Or write to:

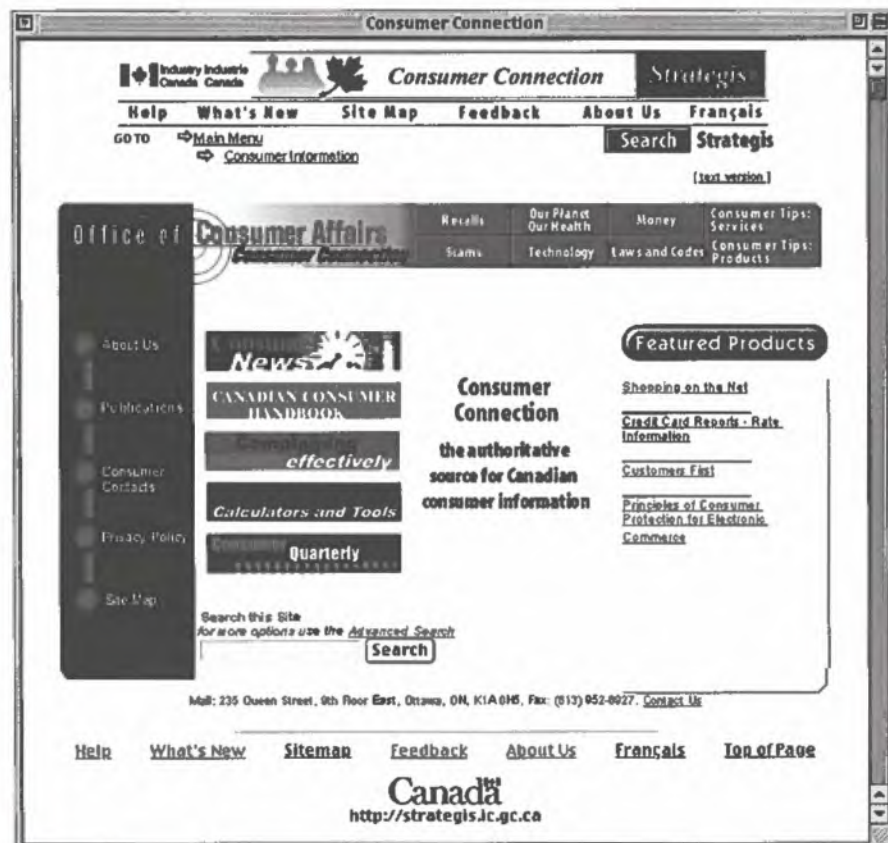
Office of Consumer Affairs
Industry Canada
9th Floor, East Tower
235 Queen Street
Ottawa ON K1A 0H5
Fax: (613) 952-6927

Consumer Quarterly is also available on Consumer Connection, the Office of Consumer Affairs' home page on *Strategis*, Industry Canada's business information Web site:

English
<http://consumerconnection.ic.gc.ca>

French
<http://carrefourdesconsommateurs.ic.gc.ca>

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COMING SOON

The next edition of *Consumer Quarterly* will focus on electronic commerce and on guidelines developed in Canada and by the Organisation for Economic Co-operation and Development to protect consumers.

The Canadian principles call for consumers to receive protection in electronic commerce equivalent to that available in traditional forms of commerce. Specifically, they cover eight areas:

- information provision;
- contract formation;
- privacy;
- security of payment and personal information;
- redress;
- liability;
- unsolicited commercial e-mail; and
- consumer awareness.

Watch for the next issue of *Consumer Quarterly* in the spring.