Consumer Protection: Case Study

Consumer protection is the practice of safeguarding buyers of goods and services, and the public, against unfair practices in the marketplace to ensure consumers are treated fairly and justly. There is help available to protect consumers from scams, unsafe products, and unfair treatment from businesses. Consumer protection measures are often established by varies laws that overview every possible aspect to prevent, from unfair treatment, to different types of scams, to the basic rights every consumer is obliged to have.

There is a need to have such laws in place as it is crucial for both businesses and consumers. Consumers need to be able to obtain accurate, unbiased information about the products and services that they purchase. This enables them to make the best choices based on their interests and prevents them from being mistreated or misled by businesses. There are several things consumers need to be protected from such as misleading advertisement, bait and switch advertising, and referral selling. There are also many schemes and techniques that businesses use to trick customers into giving them money, these can be illegal, they are unordered or unsolicited goods, special prizes and offers, get-rich-quick schemes, and pyramid schemes.

Legislation is the act or process of making or enacting laws. It is used in organizing society and protecting citizens, it also determines amongst the rights and responsibilities of individuals and authorities. Certain laws are created to protect consumers to ensure and promote fair trade and treatment.

The Competition and Consumer Act 2010 is an example of a piece of legislation. The Competition and Consumer Act 2010 replaced the Trade Practices Act 1974, its purpose and aim is to give businesses a fair and competitive operating environment, and to also enhance the welfare of Australians by promoting fair trading and competition through the requirements of consumer protections. It covers most areas of the market and includes the relationship between buyers, consumers, wholesalers, and retailers. It covers product safety and labelling, unfair market practices, price monitoring, industry codes, industry regulation (airports, electricity, gas, telecommunications), and mergers and acquisitions, anti-competitive conduct, price fixing, unconscionable conduct and other issues, such as advertising.

In 2007 Ribina was taken to court by the Australian and New Zealand government for misleading advertising about the vitamin C content of their drinks. It led to changes in advertising and to the vitamin testing itself. False representations on the nutrition information panel of Ribena Ready to Drink fruit drinks that claimed the products contained certain quantities of Vitamin C, when in fact they had significantly less Vitamin C, and advertising and packaging of Ribena fruit drinks claimed that 'the blackcurrants in Ribena contain four times the Vitamin C of oranges' when this was number was significantly lower. There was strong community and media backlash against the company as the drink marketed to children.

The Australian government will be consulting on options to strengthen product safety laws this year. This was due to a variety of baby products such as cots (59% of products failed), strollers (83%), double strollers (85%), and portable cots (98%) that do not meet mandatory safety standards but claim to. CHOICE ran a series of test and found many products an issues ranging

from very minor (for example, warning labels not present), to minor (for example, sharp edges, finger entrapment hazards), to serious (for example, suffocation or strangulation hazards). CHOICE is calling for the introduction of a legal obligation on businesses to ensure their products are safe before being offered for sale. This would bring in line with similar legal requirements in the EU, Canada and the UK. The government is working to make the newest standards mandatory, police violations more vigilant, and to introduce a new section on product safety into the Australian Consumer Law so that all products will be subject to safety requirements.

Case Study:

Anna is currently working in a café where she works for 38 hours a week and makes $22 an hour. Anna has recently taken out a loan from the bank for $20,000. She has been able to make her repayments to the bank and pay for her rent, and all of her other needs such as internet and her phone. Recently the café can now only provide her with 20 hours a week, meaning that she can no longer make the same repayments to the bank, putting her further and further in debt.

Selling goods and repaying the loan-

This allows control over what she is selling whilst also prioritizing over what is important. It could be small goods such as household items or larger ones such as a car. After selling the goods she can then use the new earned money to reduce or pay off the loan, a lower loan also means that she will be paying less interest of the long term. The disadvantage of this solution means that she may not be able to continue living her current lifestyle, as well as it would take time to sell off all the goods.

Apply for hardship variation-

Anna could apply to their credit provider for a hardship variation. To do this one would need to contact the provider of the loan and tell them about the need to vary the loan contract because of hardship. They would the need to explain why they are having difficulties, how long they think their financial problems will continue, and how much they can afford to repay. Multiple choices are available if you have to vary your loan due to hardship, these include extending the loan period, postponing repayments for an agreed period, and making smaller repayments over a longer period. While changing payment plans may cause fees; it is better than just ignoring the problem entirely. If a borrower continues to skip repayments, the finance provider is entitled to foreclose on the loan and can seize the borrower’s assets and sell them to recover the money that they owe.

Apply for bankruptcy-

Bankruptcy is when a person gives up control of their assets (items of value such as a car) and finances, either voluntarily or by a court order. You are not bankrupt until the Federal Court of Australia issues a sequestration order. Only people can become bankrupt, companies instead become liquidated; this is when all its assets are sold in order to pay its debts. In exchange, the bankrupt person is given protection from their creditors. Once you have been declared bankrupt you have limited control of your assets. Your bankruptcy will always show on your credit history which can have a negative impact as it becomes much harder to obtain future loans, and you

cannot become company director for a certain period of time.

Refinance the loan-

Refinancing the loan is the best option as it maintains a good credit rating which ensures cheaper future loans and more people will be willing to provide loans. She could refinance the loan taking out a new loan to pay off one or more outstanding loans. She consolidates the loans for a lower interest rate and a longer to pay it off by having one provider it becomes easier to discuss how to manage her debt. It requires time to find a decent provider which may require additional guarantees (ability to sell assets), they may also require a guarantor who is someone who is willing to repay the debt if she defaults.