

The European Online Marketplace: Consumer Complaints

I am here to speak to you today on behalf of the European Consumer Centre Network and over the next seven minutes I will talk to you about our experience of cross-border consumer complaints in the area of e-commerce. For those of you who do not already know, we are a network of centres in 27 European countries and our aim is to create consumer confidence in the internal market by providing consumers with information and advice on their consumer rights, and assisting them with their cross-border disputes.

One area in which our network is particularly active is e-commerce. Confidence and trust play a crucial role for consumers when it comes to shopping online, but the hundreds of complaints submitted to our network each year by consumers who have experienced problems with webtraders suggests that there is still some way to go before the full benefits of the internal market in e-commerce will be realised.

In addition to dealing with cases on behalf of consumers and assisting with their disputes, the network is also responsible for the publication of its annual e-commerce reports which analyse all of the consumer complaints relating to e-commerce that are received throughout the network each year, in order to help identify those areas that present problems for consumers and provide evidence-based feedback based on our practical experiences. The *European Online Marketplace: Consumer Complaints 2005* is the third such consecutive annual e-commerce report, and it analyses all the e-commerce related consumer complaints received by the network during 2005 and presents a summary of the results.

So what were the main findings of our report? Well, the first point to note is that, although this was the third such report of its kind, the patterns and trends observed in 2005 were very similar to previous years. Problems with delivery again accounted for by far the greatest number of complaints, with the simple non-delivery of ordered products giving rise to a staggering 38% of all complaints.

Problems with the product itself were the second highest cause for complaint amongst consumers, accounting for 25% of reported complaints. Within this category, the most common complaint was that the product was defective or faulty and the webtrader failed to respect the guarantee set out under Directive 1999/44/EC as regards the sale of consumer goods. It is also interesting to note a particular problem that consumers can face, whereby sellers often require consumers to pay for the costs of returning items that were defective on arrival.

Another interesting area of complaint in 2005 was the 'cooling-off' period provided for under the distance selling directive. Although it does not account for such a large proportion of complaints as the areas just mentioned (giving rise to only 5% of all complaints), there was nonetheless a noticeable increase in problems encountered with the 'cooling-off' period. This may be attributable to either the seller's ignorance

or lack of awareness of his own legal obligations, or just his simple refusal to recognise this entitlement of the consumer.

As well as identifying the main causes of complaint for consumers, the report also examines certain problem areas that had been identified during the course of the year. Fraud and enforcement were identified as two areas posing particular difficulties and challenges. The issue of fraud was once again identified as a particular concern for consumers when shopping online. Typically, all cases involving fraud also concern non-delivery of the product but they are not categorised under the same heading in our statistics. While non-delivery can often simply result from poor customer service, in cases of fraud there is generally no intention to supply the goods in the first place.

Let me give you an example. An Irish consumer purchased two laptops from a UK based website. The company required him to pay for them in advance by money transfer. The consumer never received the laptops. It turned out that the website was fraudulent. Fraudsters had stolen the name of a legitimate company based in the UK (which did not even sell laptops) and had simply used their postal address on the website. They had pretended to sell laptops and other such products at good prices but then disappeared with consumers' money. As the money had been sent by money transfer, it would prove almost impossible to trace. The consumer contacted our ECC but we had to refer him to the police, as it was a criminal matter.

In addition to the problem of fraud, particular problem webtraders encountered by the network during 2005 have highlighted the importance and strong need for adequate enforcement mechanisms within the European Union concerning cross-border consumer issues, and I will come back to this point shortly.

So, given the numerous problems identified in this area, what then is the best way forward, the best way to enhance consumer confidence? Essentially, there are three aspects to this achieving this, all of which are closely intertwined: education, legislation and enforcement.

On the education side, the best way to enhance confidence is to increase consumer awareness. A consumer who knows his or her rights when shopping online is a more empowered consumer and therefore a more confident consumer. But this awareness should not be restricted to the consumer's entitlements – it should also include awareness of the dangers and problems that exist, in order to reduce the likelihood of falling victim to such problems. This is particularly true in the case of fraud. We have dedicated a section of our report to tips and advice for consumers when shopping online, which includes some of the main things to look out for before concluding a transaction. However, education of consumers is not enough. There must also be an increased awareness amongst traders of their obligations too, as all too often they fall short and lack the requisite knowledge. You can be sure that traders know their legal obligations when it comes to matters such as employment law or tax law. The question must be asked therefore: is it the case that traders are not fully aware of their legal obligations in this area, or do they simply choose to ignore them?

And what of those legal obligations? Is the legislation as it currently stands sufficient to protect consumers? As many of us already know, the European Commission is reviewing the current body of consumer legislation in the European Union. The

distance selling directive has already been recognised as an outdated piece of legislation, ten years being a significant length of time in such a rapidly changing area. As such, there are many areas that currently fall outside of the scope of the directive, such as internet auctions and new technologies, meaning that consumers are not as fully protected as they might be. We would therefore strongly welcome any proposals to strengthen and improve the legislative protection available to consumers when shopping online.

But the effectiveness of any piece of legislation, no matter how well-drafted, is dependent upon its proper application and enforcement, and it is in this regard that national enforcement authorities and the new Regulation on Consumer Protection Cooperation will hopefully play an important role. Enforcement of consumer protection legislation in the area of e-commerce has been recognised as a particular challenge for some time now, and the findings of our most recent report reinforce this fact.

There are now half a billion consumers in the European Union and, according to the latest Eurobarometer survey, the confidence of consumers when shopping online is not as high as it could be.

The European Consumer Centre Network will therefore continue in its role of providing information, advice and assistance to consumers in order to improve awareness and education, and thereby further enhance consumer confidence in the digital environment, though we are obviously restricted by resources and funding in the amount that we can achieve. However, there is also a responsibility on other players in this area, such as consumer associations, enforcers, policy-makers and even business, to ensure that consumer confidence in the digital environment can be enhanced and maintained.