

# CBSE CLASS 12 BUSINESS STUDIES

## CHAPTER – 12

### CONSUMER PROTECTION

#### REVISION NOTES



#### MEANING

- Consumer protection refers to protecting the consumer against anti-consumer trade practices by the producers or sellers.
- *caveat emptor*, which means “Let the buyer beware”
- *caveat venditor* which means “Let the seller beware”
- Consumers are exposed to risks due to exploitative and unfair trade practices like defective and unsafe products, adulteration, false and misleading advertising, hoarding, black-marketing etc.
- Thus, there is a need to provide adequate protection to consumers against such practices

#### IMPORTANCE OF CONSUMER PROTECTION

(A) From Consumer’s point of view

**1. Consumers Ignorance:** Majority of consumers are not aware of their rights and reliefs available to them as a result of which they are continuously exploited. In order to save consumers from exploitation, consumer protection is needed.

**2. Unorganized Consumers:** In India consumers are still unorganized and there is lack of consumer organizations, which would act in their interests.

**3. Widespread Exploitation of Consumers:** Consumers are exploited on a large scale by means of various unfair trade practices and consumer protection is required to protect them from exploitation.

#### **(B) From the point of view of Business**

**1. Long term Business Interest:** It is always in the interest of the business to keep its customer satisfied. Global competition could be won only after satisfying customers. Satisfied customers lead to repeat sales and thus helps in increasing customer base of the business.

**2. Business uses Resources of Society:** Every business uses the resources of the society and thus it is their responsibility to work in the society's interest .

**3. Social Responsibility:** A business has social responsibilities towards various groups like owners, workers, government, customers etc. Thus, customers should be provided with quality goods at reasonable prices.

**4. Moral Justification:** It is the moral duty of any business to act in favour of consumer's interest & avoid any form of exploitation & unfair trade practices like defective & unsafe products, adulteration, false and misleading advertising, hoardings, black marketing etc.

**5. Government Intervention:** If a business engages in any form of unfair trade practices then government takes action against it, which will adversely affect the goodwill of the company.

#### **LEGAL PROTECTION TO CONSUMERS**

## **CONSUMER PROTECTION ACT, 1986 (CPA, 1986)**

Set up to protect and promote consumers interests through a speedy and inexpensive redressal of grievances.

Recognizes consumer rights and safeguard their interests.

A three-tier redressal agency to address consumer grievances, has been set up constituting of District Forums , State and national commissions.

### **Scope of the act:**

It is applicable to all types of undertaking:

- Large and small scale
- Private, public and co-operative sector
- Manufacturer or trader
- Firms supplying goods as well as services

### **2. The Indian Contract Act, 1872:**

The Act lays down the conditions on the applicability of an agreement signed by the parties to the contract and specifies the remedies in case of breach of contract.

### **3. The Sale of Goods Act, 1930:**

The Act provides some safeguards and reliefs to the buyers.

### **4. The Essential Commodities Act, 1955:**

This Act provides for action against anti-social activities of profiteers, hoarders and black marketers. It aims at controlling production, supply and distribution of essential commodities.

### **5. The Agricultural Produce (Grading and Marking) Act, 1937:**

The Act prescribes grade standards for agricultural commodities and livestock products.

#### **6. Adulteration Act, 1954:**

This Act aims to check adulteration of food articles and ensure their purity so as to maintain public health.

#### **7. The Standards of Weights and Measures Act, 1976:**

It provides protection to consumers against the malpractice of under-weight or under-measure.

#### **8. The Trade Marks Act, 1999:**

This Act prevents the use of fraudulent marks on the product.

#### **9. The Competition Act, 2002:**

The Act provides protection to the consumers in case of practices adopted by business firms.

#### **10. The Bureau of Indian Standards Act, 1986:**

The Bureau has two major activities: formulation of quality standards for goods and their certification through the BIS certification scheme

### **CONSUMER RIGHTS**

Consumer Protection Act, 1986 has provided six rights to the consumers, which are as follows:

#### **1. Right to Safety:**

Consumer has the right to be protected against products, & services which are hazardous to health & life. E.g. ISI certification for electronic items.

#### **2. Right to be Informed:**

Consumer has right to have complete information about the product before buying it.

#### **3. Right to choose:**

Consumer has a right to choose any product out of the available products as per his/ her own interests.

#### **4. Right to be heard:**

Consumer has the right to file a complaint to be heard in case of dissatisfaction with goods or services (use of grievance cell).

#### **5. Right to Seek Redressal:**

Consumer has the right to get relief in case the product or service falls short of consumers expectations or is dangerous. The consumer may be provided with replacement/removal of defect or compensation for any loss.

#### **6. Right to consumer education:**

Consumer has the right to acquire knowledge and to be well informed throughout life. He should be made aware of his rights and reliefs available to him in case of the product or service falls short of his expectations. The Govt. of India has included consumer education in the school curriculum and is making use of mass media to make consumers aware of their rights.

### **CONSUMER RESPONSIBILITIES**

A consumer has to follow certain responsibilities while purchasing, using and consuming goods.

1. Be aware about the various products available in the market so that an intelligent and wise choice can be made.
2. Buy only standardized goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO mark on food products, Hallmark on jewelry etc.
3. Follow instructions related to the product and learn about the risks associated with products, and use it safely.
4. Read labels carefully to gain information about prices, net weight, manufacturing and expiry dates, etc.

5. Assert yourself to ensure that you get a fair deal.
  
6. Be honest in your dealings and purchase only legal goods and services and discourage unscrupulous practices like black marketing, hoarding etc.
  
7. Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made.
  
8. File a complaint in an appropriate consumer forum, in case of a shortcoming in the quality of goods purchased or services availed. Do not fail to take an action even when the amount involved is small.
  
9. Form consumer societies which would play an active part in educating consumers and safeguarding their interests.
  
10. Respect the environment.

## **WAYS AND MEANS OF CONSUMER PROTECTION**

- 1. Self Regulation by Business:** Firms, which gives importance to corporate social responsibility, follow ethical standards and practices in dealing with their customers.
  
- 2. Business Associations:** FICCI and CII have laid down their code of conduct which lay down for their members the guidelines in their dealings with the customers.
  
- 3. Consumer Awareness:** A well-informed consumer would be in a position to raise his voice against any unfair trade practices .
  
- 4. Consumer Organisations:** It plays an important role in educating consumers about their rights and providing protection to them.

**5. Government:** The government protects the interests of the consumers by enacting various protective measures.

## **REDRESSAL AGENCIES UNDER CONSUMER PROTECT ACT**

### **Who Can File A Complaint Under CPA, 1986**

A complaint before the appropriate consumer forum can be made by:

1. Any consumer.
2. Any registered consumer association.
3. The central or state government.
4. One or more consumers on behalf of numerous consumers having same interest.
5. A legal heir or representative of a deceased consumer.
6. A complaint under Section 2 (b) of the Consumer Protection Act 1986

**For the redressal of consumer grievances the act provides a three-tier machinery as:**

### **1. DISTRICT FORUM**

District forum are set up in each district by the state concerned. The important features are:

(a) It consists of a President and two members, one of whom should be a woman, duly appointed by State Govt.

(b) The value of the goods or services in question, along with the compensation claimed, does not exceed Rs. 20 lakhs.

(c) On receiving the complaint, the district forum shall refer the complaint to the opposite party concerned and send the goods or sample for testing in a laboratory.

(d) The district forum after being satisfied that goods are defective or there is some unfair trade practice can issue an order to opposite party directing to either replace or return the price or pay compensation. In case the aggrieved party is not satisfied with the district forums order, they can appeal before state forum within 30 days of passing an order.

## **2. STATE COMMISSION**

It is set up in each state by the government. The salient features are:

(a) Each commission consists of a president and at least 2 members appointed by State Government and one should be a woman.

(b) The value of the goods or services along with the compensation claimed, exceeds Rs. 20 lakhs but does not exceed Rs. 1 crore.

(c) On receiving the complaint, the state commission can also refer the complaint to opposite party and send the goods for testing in laboratory.

(d) The state commission after being satisfied can order the opposite party to either replace or repay or pay compensation. In case the aggrieved party is not satisfied, they can appeal before national commission within 30 days of passing an order.

## **3. NATIONAL COMMISSION**



It is setup by Central Govt. The provisions of act are:

(a) It consists of a President and at least 4 members appointed by Central Government, one of them should be a woman.

(b) All complaints are pertaining to goods and services along with the compensation value of more than Rs. 1 crore can be filed with national commission.

(c) On receiving the complaint, the national commission can also refer it to opposite party and send goods for testing.

(d) The National Commission has the power to issue orders for replacing the product and to pay the compensation for the loss etc.

### **RELIEF AVAILABLE**

- Remove defect in goods and deficiency in services.
- Replace defective goods with a new one with no defects
- Refund price paid
- Pay a reasonable amount of compensation for any loss or injury suffered.
- Pay punitive damages in appropriate circumstances.
- Discontinue unfair/restrictive trade practice
- Not to offer hazardous goods and services for sale
- Withdraw hazardous goods from sale

- Cease manufacturing hazardous goods
- Pay an amount to consumer welfare fund (not less than 5%) to be utilized in the prescribed manner
- Issue corrective advertisement to neutralize the effect of misleading ads.
- Pay adequate costs to parties.

### **Role of Consumer organizations and NGO's**

1. Educating the general public about consumer rights
2. Publishing periodical & other publications to educate consumers.
3. Providing legal assistance to consumers by providing legal advice etc.
4. Filing complaints in appropriate consumer courts on behalf of consumers.
5. Encouraging consumers to take on action against unfair trade practices.
6. Taking an initiative in filing cases in consumer courts on behalf of consumers.

### **Some of the important consumer organisations and NGOs engaged in protecting and promoting consumers' interests include the following.**

- (i) Consumer Coordination Council, Delhi
- (ii) Common Cause, Delhi
- (iii) Voluntary Organisation in Interest of Consumer Education (VOICE), Delhi
- (iv) Consumer Education and Research Centre (CERC), Ahmedabad

- (v) Consumer Protection Council (CPC), Ahmedabad
- (vi) Consumer Guidance Society of India (CGSI), Mumbai
- (vii) Mumbai Grahak Panchayat, Mumbai
- (viii) Karnataka Consumer Service Society, Bangalore
- (ix) Consumers' Association, Kolkata
- (x) Consumer Unity and Trust Society (CUTS), Jaipur