

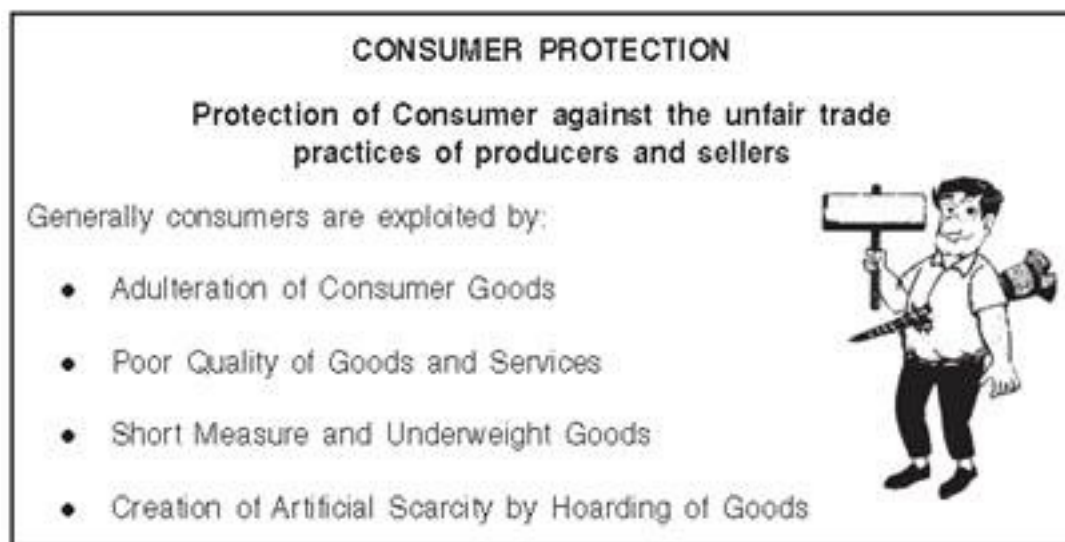
CBSE Class 12 Business Studies

Revision Notes

CHAPTER – 12

CONSUMER PROTECTION

- As a result of this, consumers may be exposed to risks due to unsafe products- that is, he may be cheated, may have to pay a higher price etc.
- Thus; there is a need to provide adequate protection to consumers against such practices



Importance of Consumer Protection

(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 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 also, thus consumer protection is required.
- 3. Widespread Exploitation of Consumers:** Consumers are exploited on large scale by means of various unfair trade practices and consumer protection is required to protect them

from exploitation.

From the point of Business

Importance of Consumer Protection
(from the point of view of Business)



Traditional Approach

Caveat Emptor
(Let the buyer beware)

Modern Approach

Caveat Venditor
(Let the seller beware)

Market – Consumer = Zero

Market - Consumer = Zero

- 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 help in increasing customer base of business.
- 2. Moral Justification:** It is the moral duty of any business to take care of consumer interest & avoid any form of their exploitation & unfair trade practices like defective & unsafe products, adulteration, false and misleading advertising, hoardings, black marketing etc.
- 3. Business uses Resources of Society:** Every business uses the resources of the society and thus it is their responsibility to work in the interest of the society.
- 4. Social Responsibility:** A business has social responsibilities towards various groups like owners, workers, government, customers etc. Thus, customers should be provided qualitative goods at reasonable prices.
- 5. Government Intervention:** If a business engages in any form of unfair trade practices then government takes action against it, which adversely affects its goodwill.

CONSUMER PROTECTION ACT, 1986 (CPA, 1986)

1. Set up to protect and promote consumer interests thro a speedy and inexpensive redressal of grievances.

2. Recognizes consumer rights

Redressal agencies- set up a three-tier agency to address consumer grievances.

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

Meaning of Consumer

1. Any person who buys any goods for a consideration. It includes any user of such goods with the approval of the buyer. But it does not include a person who obtains goods for resale or any commercial purpose.

2. Any person who avails any services for a consideration. It includes any beneficiary of such services but it does not include a person who avails such service for any commercial purpose.

Rights of a Consumer

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 (should use ISI marked electronic device).

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 own decision making.



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 his expectations or is dangerous. He may be provided with replacement/removal of defect or compensation for any loss. Various redressal forums are set up by the Govt. at National and State level.

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 & is making use of media to make consumers aware of their rights.

Responsibilities/Duties of a Consumer

Consumer Responsibilities:

1. Ask for a cash memo

- On purchase of goods or services. This would serve as a proof of the purchase made.

2. Be aware

- About various goods and services available in the market so that an intelligent and wise choice can be made.

3. 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.

4. Follow manufacturer's instructions

- Learn about the risks associated with products and services, and use the products safely.

5. Read labels carefully

- So as to have information about prices, net weight, manufacturing and expiry dates, etc.

6. Assert yourself

- To ensure that you get a fair deal.

7. Be honest in your dealings.

- Choose only from legal goods and services and discourage unscrupulous practices like blackmarketing, hoarding etc.

8. File a complaint in an appropriate consumer forum

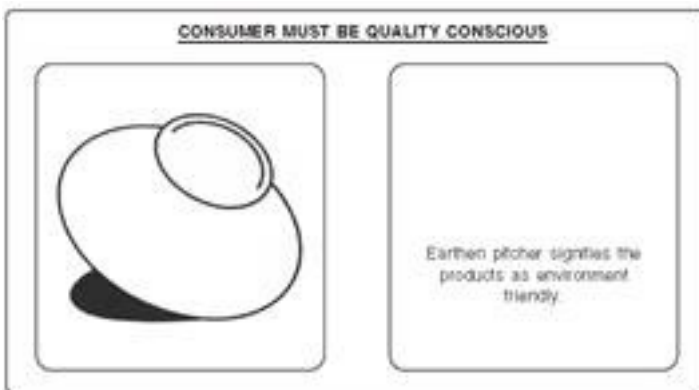
- In case of a shortcoming in the quality of goods purchased or services availed. Do not fail to take an action even when the amount involved is small.

9. Form consumer societies

- Which would play an active part in educating consumers and safeguarding their interests.

10. Respect the environment.

- Avoid waste, littering and contributing to pollution.



THE SALIENT FEATURES AND PROVISIONS OF CONSUMER PROTECTION ACT, 1986

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.

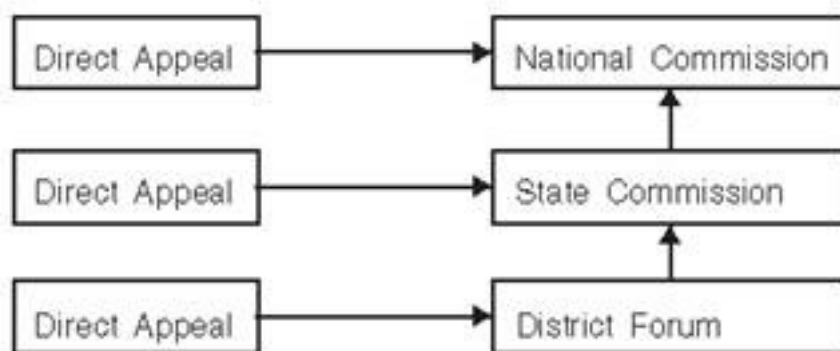
Complaints can be filed and compensation claimed w.r.t:

- Fraudulent practices by traders and manufacturers
- Defective goods

- Deficiency in services in connection with 9 services such as banking, transportation, insurance, supply of electricity and gas, house construction, medical service

REDRESSAL AGENCIES UNDER CONSUMER PROTECT ACT, 1986

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



Redressal Agencies

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) It can receive consumer complaints of not more than Rs. 20 lakhs value.
- (c) On receiving the complaint, the district forum shall refer the complaint to the opposite party concerned and send the sample of goods 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 him to either replace or return the price or pay compensation. In case the aggrieved party is not satisfied with the order of district forum. He can appeal before state forum within 30 days of passing an order.

2. STATE COMMISSION

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

- (a) Each commission consists of a president and it least 2 members appointed by state Govt.

(b) Complaints of at least Rs. 20 lakhs but not more than 1 crore can be filed with state commission.

(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 to 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 Govt.

(b) All complaints are pertaining to goods and services of value 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 replace mentor removal and to pay the compensation for loss.

REMEDIES AVAILABLE TO CONSUMERS

- Remove defect in goods and deficiency in services.
- Replace defective goods with 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/ person (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.

CONSUMER AWARENESS

Some important consumer organization and NGO's engaged in protecting consumer interests are:

1. Consumer coordination council, Delhi.
2. Voluntary organization in Interest of Consumer Education, Delhi.
3. Mumbai Grahak Panchayat, Mumbai.
4. Consumer Association, Kolkata.
5. Consumer Unity and Trust Society Jaipur.

Role of Consumer organizations and NGO's

1. Educating the general public about consumer rights by organizing training programmes, seminars and workshops.
2. Publishing periodical & other publications to educate consumers.
3. Providing legal assistance to consumers by providing legal advice etc.
4. Producing films or cassettes on food adulteration, misuse of drugs etc.
5. Filing complaints in appropriate consumer courts on behalf of consumers.
6. Encouraging consumers to take on action against unfair trade practices.

7. Taking an initiative in filing cases in consumer courts on behalf of consumers.

Ways and Means of Consumer Protection

1. Self Regulation by Business:

- It is in the long-term interest of businesses to serve the customers well.
- Socially responsible firms follow ethical standards and practices in dealing with their customers.
- Many firms have set up their customer service and grievance cells to redress the problems and grievances of their consumers.

2. Business Associations:

- Examples of associations of trade, commerce and business - Federation of Indian Chambers of Commerce of India (FICCI) and Confederation of Indian Industries (CII)
- They 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 consumer, who is well informed about his rights and the reliefs available to him, would be in a position to raise his voice against any unfair trade practices or unscrupulous exploitation.
- This enables them to understand their responsibilities and to safeguard their interests.

4. Consumer Organizations':

- Force business firms to avoid malpractices and exploitation of consumers.

5. Government:

- The most important of these regulations is the Consumer Protection Act, 1986. The Act provides for three-tier machinery at the district, state and national levels for redressal of consumer grievances.