

12th Session of the Intergovernmental Group of Experts on Competition Law and Policy

**Expert Meeting on Consumer Protection
12 – 13 July 2012
Geneva**



**‘The Future Path of Consumer Protection’
by
Ms Connie Lau, JP
Chief Executive Hong Kong Consumer Council**

Keynote Speech for

United Nations Conference on Trade and Development (UNCTAD)

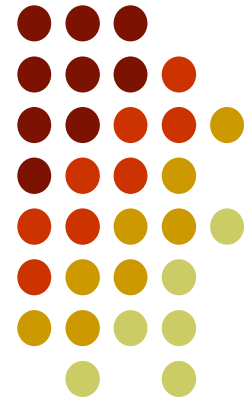
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Keynote Speech for UNCTAD 12th Session of the Intergovernmental Group of Experts on Competition Law and Policy

The Future Path of Consumer Protection

12 – 13 July, 2012, Geneva

Ms. Connie LAU, JP
Chief Executive
Hong Kong Consumer Council
Council & Executive Member
Consumers International (CI)



A Path to the Future



- **An explorer beating a path through a thick jungle**
- **New & unexpected barriers**
- **President Kennedy's 1962 Consumer Bill of Rights**



A Path to the Future



UN Guidelines for Consumer Protection (UNGCP)

“Fair and effective **competition** in order to provide consumers with the **greatest range of choice** among products and services at the **lowest cost**”

Consumers International (CI)



- **Championing consumer rights internationally for 60 years**
- **240 members in 120 countries**
- **Hong Kong Consumer Council hosted CI's World Congress in 2011**



Consumers International (CI)

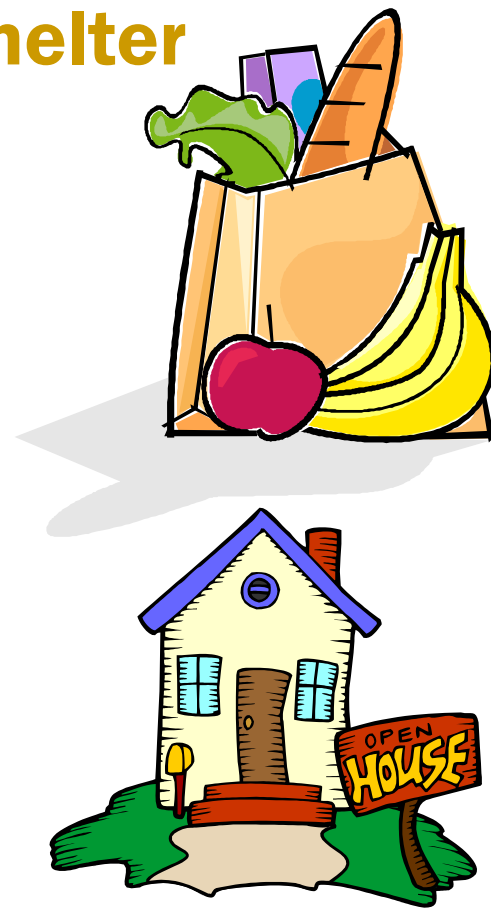


UN Guidelines for Consumer Protection (UNGCP)

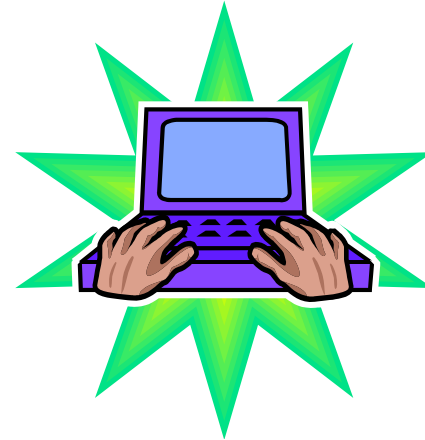
- **‘Legitimate needs’ of consumers listed in Article 3 remain valid**
- **Need updating to reflect technological developments**
 - **Stronger consumer protection regarding access to knowledge**
 - **Competition policy to serve as consumer protection**

Developing Priorities

- **Basic consumer issues – Food & Shelter**
- **Right to be informed:**
 - **The origin of food**
 - **Details of mortgages entered into**
 - **Safeguards that protect purchase of house**



Developing Priorities

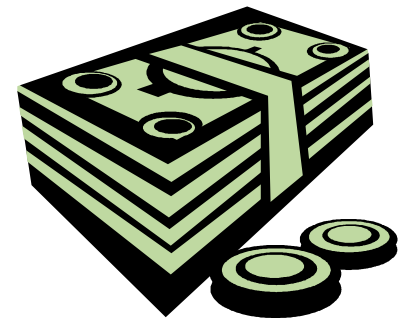


- **Emerging problems on electronic commerce**
 - **Right to privacy of personal information**
 - **Vulnerability of vital personal information being hijacked**

Developing Priorities



- **Protection of consumers' finances**
 - **Governments doing enough to respond to consumer concerns?**
 - **Adequate financial regulation & supervision from an ordinary consumer's perspective?**



Developing Priorities



- **Demographics & socio political differences**
- **Gross national savings rates over the last 40 years**
 - **Increased in China, South and East Asia, and the Pacific**
 - **Decreased in the industrialized world**



Developing Priorities

Asia region

- **Consumer concerns with maintaining adequate savings**
- **Focus on building confidence – deposit guarantee schemes**

Industrialized countries

- **Recent financial crisis - Lending practices**

Is the Consumer Really King?



- **Consumers' decisions** → **goods & services produced in the market**
- **Competition policy & consumer welfare are mutually beneficial**
- **Accurate information not free or easily available**
- **'Manufactured confusion'**
 - **difficult to compare prices when complex products are bundled together**



Is the Consumer Really King?



- **‘Manufactured confusion’** in financial services sector
- Consumers with **little or no experience** in investment required to compare products, evaluate risks and make decisions
- Many **‘unsafe’** finance products as not readily comprehensible and capital & quoted returns cannot be guaranteed



Is the Consumer Really King?



- ‘Quoted returns are subject to market variations’
- Competition policy & dynamics of the market serve a protective role? Nonsense
- Needs an approach that balances the use of market mechanisms with **direct supervisory regulation**



The Finance Sector



- **Indecision and obstruction in regulation lead to consumer dissatisfaction & market stagnation**
- **Expert comment: Stronger consumer protection would undermine its financial stability**
- **Industry financially dependent on weak consumer protection**
- **Inherent dishonesty in claims on willing to improve consumer protection**

The Finance Sector



- **Terrible dilemma:**
 - **Consumer protection measures are reformed**
→ **destabilize the industry**
 - **Continue to tolerate abusive practices & instability**
- **Eminent economist Joseph Stiglitz:**
 - ***A banking system is supposed to serve society, not the other way around***

The Finance Sector



CI's New Campaign

- **Calling for all consumers to have access to safe, fair and competitive financial services**
- **G20 leaders endorsed a new set of international principles on financial consumer protection**
- **Called for establishment of a new international organization to support development of consumer protection regarding banking and credit**

The Finance Sector



CI's New Campaign

- **Members to keep pressure on their governments**
- **Recommended that *'G20 take action to promote competition as a means to enhance consumer protection in financial services'***
- **Enhance comparability of products, portability of account numbers and other mechanisms to ease switching of accounts**

The Finance Sector



- **Address competition policy at macro-level**
- **Crisis measures → new issues of market dominance paid for indirectly by consumers**
- ***Steps taken to support financial institutions which are ‘too big to fail’ have resulted in significant distortions of competition***

The Finance Sector

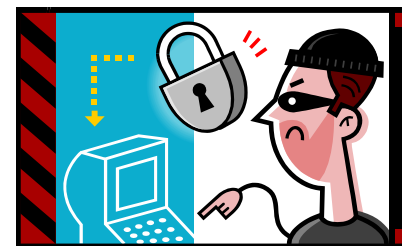


- **To instigate independent competition enquiries into the increases in concentration & reduction of competition caused by the financial crisis**
- **National governments to apply ‘public interest’ tests to the disposal of their stakes in the banking sector**
- **To make competition stronger after disposal of the stakes**

The Right to Privacy



- **Recent OECD publication:**
 - ***The Internet economy will become increasingly indistinguishable from the overall economy***
- **Online privacy needs to be recognized**
- **Threats:**
 - ***Hacking & theft of information***
 - ***Personal information being collected and exploited by legitimate business interests***



The Right to Privacy



Trans Atlantic Consumer Dialogue (TACD)

- **Expressed concern at Google’s plan to combine data from all of its services**
 - ***Without user consent***
 - ***Without opportunity for users to opt-out***
- **Unfair & unwise for Google to “change the terms of the bargain”**

The Right to Privacy



- **Developed countries** – privacy law and privacy agencies
- **Consumer advocates** – respect for privacy and rights of consumers to control collection and use of personal information
- **Privacy of information = consumer right**

The Right to Privacy

- **UN Guidelines on Consumer Protection currently do not cover privacy as a consumer issue**
- **Only general principle:**
 - ***The promotion and protection of the economic interests of consumers***
 - ***High levels of ethical conduct***
- **Privacy should be included as a separate principle and guidelines drafted for governments to observe**



Funding Consumer Advocacy



- **UN Guidelines for Consumer Protection – absence of reference to funding**
- **Shortfall in funding:**
 - *Prevents the consumer protection work from being carried out*
 - *Restricts the scope of the work*
- **Governments should develop a standard on the funding of consumer advocacy**

Funding Consumer Advocacy



- **Consumer associations** – expert work pertaining to regulation, representing consumer interests, dispute resolution
- **Recognition** of consumer bodies' roles be featured in the Guidelines

Conclusion



- **A lot more to do**
- **A need to reconsider our path boundaries**
- **American poet Ralph Waldo Emerson:**
 - ***Do not go where the path may lead, go instead where there is no path and leave a trail***





Thank you!



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