‘The Future Path of Consumer Protection’
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The Future Path of Consumer Protection


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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
“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 to 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!