

**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)**

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

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

## The Future Path of Consumer Protection

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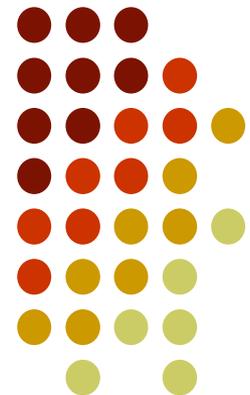
12 – 13 July, 2012, Geneva

Ms. Connie LAU, JP

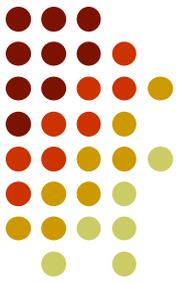
Chief Executive

Hong Kong Consumer Council

Council & Executive Member  
Consumers International (CI)



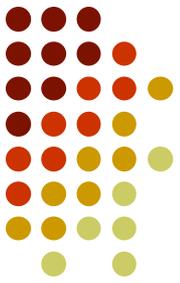
# A Path to the Future



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



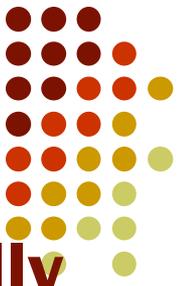
# A Path to the Future



## 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**”***

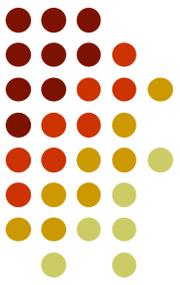
# Consumers International (CI)



- **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)

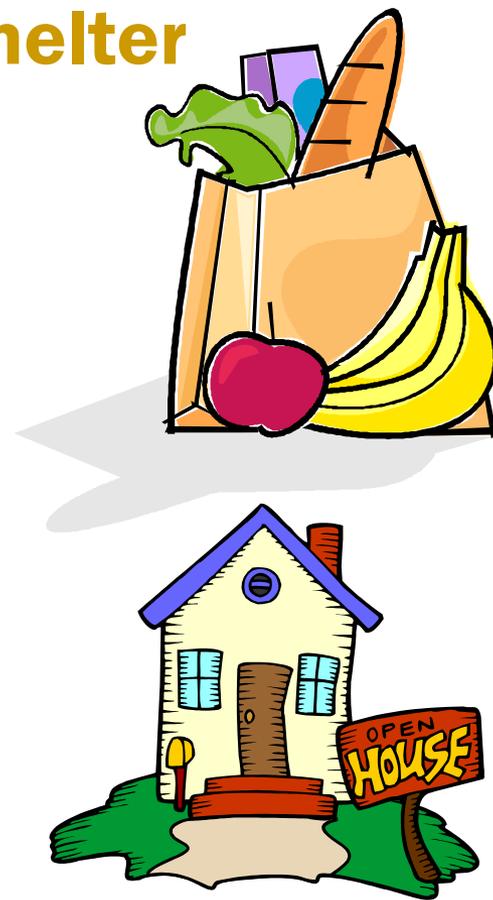


## UN Guidelines for Consumer Protection (UNGCP)

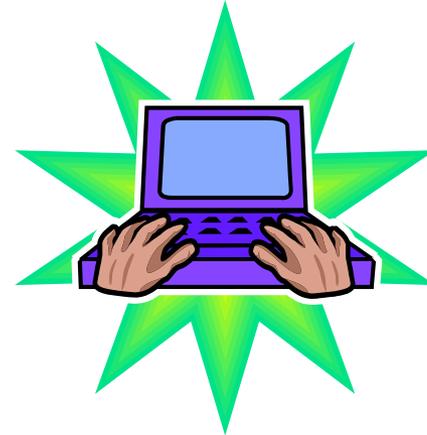
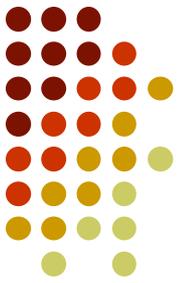
- **‘Legitimate needs’ of consumers listed in Article 3 remain valid**
- **Need updating to reflect technological developments**
  - **Stronger consumer protection regarding access to knowledge**
  - **Competition policy to serve as consumer protection**

# 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**

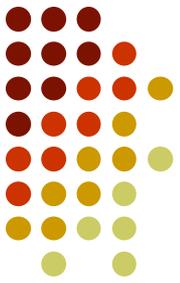


# Developing Priorities

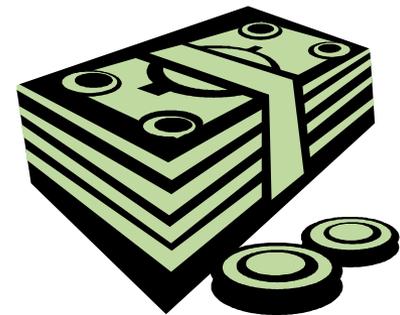


- **Emerging problems on electronic commerce**
  - **Right to privacy of personal information**
  - **Vulnerability of vital personal information being hijacked**

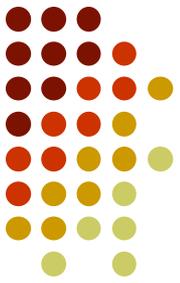
# Developing Priorities



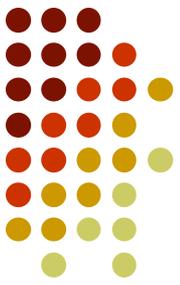
- **Protection of consumers' finances**
  - **Governments doing enough to respond to consumer concerns?**
  - **Adequate financial regulation & supervision from an ordinary consumer's perspective?**



# 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

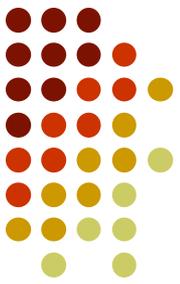
## Asia region

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

## Industrialized countries

- **Recent financial crisis - Lending practices**

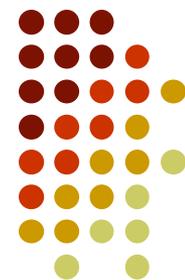
# Is the Consumer Really King?



- **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**



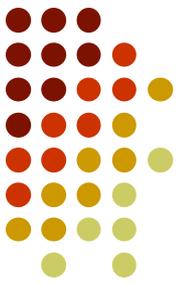
# Is the Consumer Really King?



- **‘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**

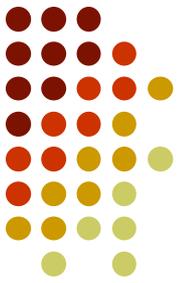


# The Finance Sector



- **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***

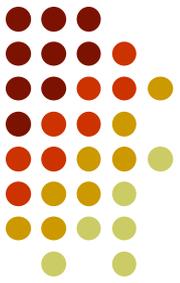
# The Finance Sector



## 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**

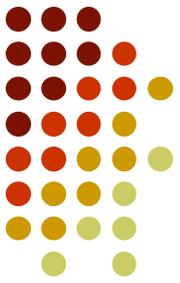
# The Finance Sector



## CI's New Campaign

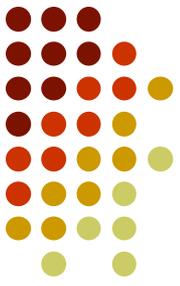
- **Members to keep pressure on their governments**
- **Recommended that *'G20 take action to promote competition as a means to enhance consumer protection in financial services'***
- **Enhance comparability of products, portability of account numbers and other mechanisms to ease switching of accounts**

# 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**

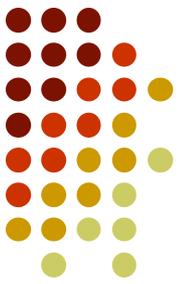
# The Right to Privacy



- **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*



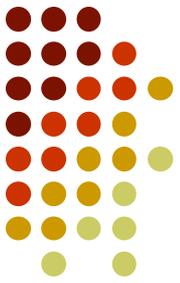
# The Right to Privacy



## 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”**

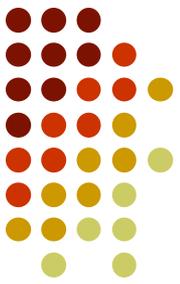
# The Right to Privacy



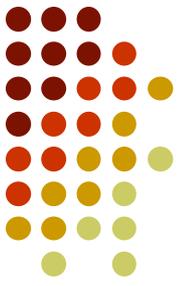
- **Developed countries** – privacy law and privacy agencies
- **Consumer advocates** – respect for privacy and rights of consumers to control collection and use of personal information
- **Privacy of information = consumer right**

# 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**

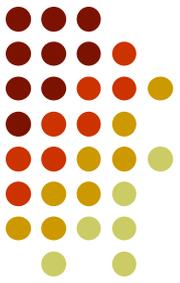


# Funding Consumer Advocacy



- **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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