

# Consumer Protection in E-Commerce: A Legal and Compliance Framework

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## ABSTRACT

*The consumer and businessman protection in business to consumers or business to business under on-lone shopping has numerous serious threats viz., privacy, infringement or breach of Intellectual Property Rights, Online Piracy, unsolicited commercial electronic advertisements and spamming, free speech and censorship and other fraudulent activities etc. Although the existence of several advantages of E-Commerce like easy access to virtual global market, reduction in distribution costs, saving time, building a healthier relationship with consumers etc, yet the security and legal risk is still a major threat in the digitalized market. Therefore, for proper functioning of E-Commerce, Consumer and businessmen security is of prime importance. There are laws governing the purchasing and selling of products within E-Commerce zone. Therefore, for proper functioning of E-Commerce, Consumer and merchant security is of prime importance. There are laws governing the purchasing and selling of products within E-Commerce zone. But when it comes to virtual world, such as second life then and there are no laws which a merchant has to abide by. In one way this can be seen as a positive aspect but on the other hand people do have moral, social and ethical responsibilities to the users. Hence an attempt has been made out in this paper to widely discuss about the legal environment and compliance with regard to E-Commerce in the digitalized global market. Also, this paper further describes the long – arm statutes and jurisdiction aspect relating to the disputes and issues in E-Commerce.*

**Keywords:** E-Commerce, Consumer protection, security, digitalized market

## I INTRODUCTION

E-commerce is to commerce what email is to mail. It is an electronic enhancement and a modernized solution to an old-fashioned process. If commerce is a transaction of physically buying or selling goods, e-commerce is its electronic counterpart – selling and buying online.

E-Commerce is a process which makes people to buy and sell goods, transfer funds and avail services online using internet, where sellers and consumers are connected globally. This rapid commercial movement in the global digital market, though appears to be praiseworthy, has also got a deceptive phase where the consumer protection is an ultimate goal for the Cyber-Consumer laws. The Cyber-Consumer behaviour is a conceptual analysis of the commercial transaction among the online consumers and the online vendors. The ability of shopping from any place and any time has surprisingly increased the growth of E-Commerce, while on the other hand this feature has also paved a way for the online vendors to proceed with misleading advertisements exposing themselves to all deceptive cyber behaviour. Several Cyber-Consumer theories lean towards the emphasis on the nature and the level of understanding of the consumers about the description of product they purchase online and the content of the advertisement. These online misleading advertisements practiced by the online vendors actually claim to be false and often goes beyond the moral and ethical boundaries of commercialism. Therefore, the researcher has attempted to find out the veracity of the issues involved in online shopping and the redressal options accessible to the online consumers in a global perspective.

## II RESEARCH QUESTIONS

- (a) Whether the deceptive phase of E-Commerce causes much impact with regard to legal and ethical issues.
- (b) Whether the legal framework of International laws utilizes a sound and comprehensive framework to encompass in restraining unfair trade practices in online shopping?
- (c) Whether the online consumers are redressed which has easy accessibility?

## III RESEARCH OBJECTIVES

- (a) To examine the veracity of legal and ethical issues involved in online shopping.
- (b) To examine the legal framework of International Laws relating to unfair trade practices in online shopping
- (c) To examine the redressable options available to online consumers in a global perspective
- (d) To examine the jurisdictional aspect to resolve disputes arising in online transaction.

## IV REVIEW OF LITERATURE

The researcher has reviewed several important and authoritative books on this subject. The various important books together with articles and analysis published in journals and websites have been carefully studied and analysed. A detailed list of books reviewed is brought out in the bibliography. The primary sources and related book on this topic reviewed are:

- (a) The complete E-Commerce book by Janice Reynolds
- (b) E-Business and E-Commerce management by Dave Chaffey
- (c) Law on Information Technology by Dr.Ishita Chatterjee
- (d) E-Commerce by Kenneth C.Laudon &

## V RESEARCH METHODOLOGY

As this research involves a socio-legal and a conceptual study, the methodology involved is Doctrinal research. This method includes a careful analysis of various issues involved with E-Commerce. Also, the researcher has made an attempt to analyse the legal and compliance framework with regard to consumer protection in E-Commerce in a global perspective and a careful study has been made out to find the jurisdictional aspect for the disputes arising under E-Commerce. The researcher has majorly relied upon various primary and secondary sources to find out the objectives of this research.

## VI ANALYSIS ON MISLEADING ADVERTISEMENTS

Advertisements and consumer culture have become a part and parcel of our lives today. In the present globalised era, advertising plays an important role in developing a strong brand name of the corporation or products. In general, advertising is used to inform, persuade, and remind consumers about the products or services. Advertising is believed to enhance buyers' responses to products or services offered by a firm, thus enabling possibilities of increased profitability. Hence the purpose of advertising is to create awareness of the advertised product and provide information that will assist the consumer to make informed-purchase decision.

An advertisement is message which should comprise the exact description of a product given by the manufacturer. The ethical need of such message should be contented with utmost true information. But in reality, the advertisements are false and misleading; thereby the consumer is forced to get only deceptive descriptions about the product. As the online advertisements are not been effectively monitored as there is no stringent laws in governing the online misleading advertisements, fraudulent and deceptive acts to mislead the consumers is rapidly increasing and have become a worldwide issue for the consumers who lack knowledge on online shopping.

## VII ISSUES IN E-COMMERCE

Some of the recurrent ethical and legal issues faced by the online consumers when indulged in purchasing products online are as follows: [4]

- (a) Privacy
- (b) Identity and Data theft and online scams
- (c) Online piracy
- (d) Unsolicited and misleading electronic ads and spamming
- (e) Fraudulent behaviour of the merchants
- (f) Phishing for personal financial information
- (g) Shopping cart abandonment
- (h) Insignificant customer loyalty
- (i) Inert behaviour of the vendor in getting back the damaged goods
- (j) The demand of challenging prices during shipment
- (k) Competing against retailers and manufacturing
- (l) Poor internet quality including speed and reliability
- (m) Deceptive description with regard to goods and services
- (n) Drip pricing practices as the full amount of the product is unknown till the final process of the transaction
- (o) Improper response to monetary refund for disgruntled products
- (p) Electronic identification and authentication tools
- (q) Concerns about Dispute Resolution mechanisms
- (r) Lack of basic digital skills and financial literacy
- (s) Competent jurisdiction and applicability of law with regard to cross-border E-Commerce

As the online consumers disregard about the clause, the integrity or the security of the customer data is under a major threat. Although online auction websites attempt to take several steps to verify buyer and seller identities, these safeguards are not fool proof. A fake website for a fictional business can be created easily in a very short span and often not much contact information is provided; for example, the only contact information available could be just a free or web-based email address. Online deception or fraud has been in prevalence and practiced successfully due to lack of real-world accountability for online transaction.

## VIII CONSUMER PROTECTION IN E-COMMERCE

It is worthwhile at this period to recall the distinction drawn between cyber-consumer redress and cyber consumer protection. Redress is a method provided by any law models considered here by which a cyber-consumer who is an aggrieved party to a CCT would seek a remedy from a merchant for non-delivery, wrong delivery of goods or fraudulent behaviour. Redress is the

major concern, rather than the wider but related issue of cyber-consumer protection.

## **IX LEGAL FRAMEWORK ON CONSUMER PROTECTION LAWS IN A GLOBAL PERSPECTIVE**

Several Countries have their own legal framework for E-Commerce and some passes regulatory bills, but varies among each other.

The Organization for Economic Corporation and Development (OECD) recommendation establishes the core characteristics for effective functioning of E-Commerce and protection of online consumers. It also includes two new provisions in the area of privacy and security risks, payment protection and goods safety. The revised OECD recommendation of the Council concerning guidelines governing the protection of privacy and cross border flows of personal data contain basic principles, including on collection limitation, data quality, purpose specification, security safeguards, individual participation, accountability, implementation and interoperability.

## **X CONCLUSION**

In an electronic age there is a need to protect consumer's interest and the areas of central importance for the effective protection of online consumers are an informed consumer and easy accessibility to appropriate redressable laws for electronic transaction are self-sufficient to look after her/his own interest. Appropriate information on the products is very important for e-consumers as that can help them to access the benefits and risks of entering in to a particular transaction. If the consumer is already aware of such information, then there will not be unnecessary disappointment, hence subsequent disputes will be avoided. Also, as the consumers are disregarded with the terms and conditions which are legally binding and most consumers are poorly equipped to understand the significance of the terms of the contracts they enter in to.

## **XI SUGGESTIONS**

The key factors to build the consumer confidence and fair-trade practices in E-Commerce are as follows:

- (a) Establishment of best network connection with high speed and reliability
- (b) Establishment of proper legislations and institutional framework regulating E-Commerce and to ensure enforceability also easy accessibility to dispute resolution
- (c) To ensure easy accessibility of dispute resolution mechanisms

- (d) To ensure high reliability and to reveal complete true description about the business, goods and services online
- (e) To ensure the reliability and security of online money transactions regardless of the mode of payment
- (f) To ensure the safe delivery of goods to the consumers and also to provide hassle-free after sale services
- (g) To ensure regional and International cooperation to fight unfair commercial practices and to overcome legal limitations impeding consumer protection authorities from taking action in the event of cross-border breaches of consumer protection law.

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