E-COMMERCE AND CONSUMER RIGHTS- IN THE PERSPECTIVE OF CONSUMER PROTECTION ACT, 1986

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Introduction

In the past few years, there has been a rapid transformation in the way India shops and trades. E-Commerce has taken the world in retail by storm and captivated the imagination of an entire generation of entrepreneurs, with ventures that are of e-commerce with various business and commercial models.¹ The online retail today represents a very small fraction of e-commerce space but is the fastest growing segments. E-commerce is challenging in fulfilment in its fundamental proposition of transcending physical boundaries to deliver a large and varied amount of products to the consumers at the doorstep.

The very backbone of online retailing is logistics and infrastructure in e-retailing, on the basis of which strict service level expectations are set and met, and customers satisfaction is won competing alternatives is won. The most important cause of the rapid increase in online trading is in the last two decades is increasing internet and mobile phone usage in and around India. E-commerce has changed the way we communicate and do business. E-commerce is kindly a new concept. In the present scenario heavy usage of internet and mobile phone basically changed the way business is reaching the customers.

In various countries such as the US and China, e-commerce has taken various changes to achieve sales of over 150 billion USD in revenue. The business in India is still at the infant stage, however, over the past few years, it has grown by almost 35% CAGR from 3.8 billion USD in 2009 to an estimated 12.6 billion USD in 2103.² Certain calculations on industry benchmarks estimate that the number of parcel checkouts in e-commerce has exceeded over a hundred million in 2013.The essence of e-commerce is in its capacity to exceed physical boundaries and

www.pwc.in/assets/pdfs/publications/2014/evolution-of-e-commece-in-india.pdf (extracted on 12/09/2015)² Source: Internet and Mobile Association of India research report

¹ Evolution of E-commerce in India, Assocham India,

http://www.iamai.in/sites/default/files/annual_report/AnnualReport2014-15.pdf(extracted on 12/09/2015)

satisfy the needs of the customers in a manner that it is different from the normal way as of other e-retailers. E-Commerce stands on the pillars of technology and logistical solutions which help in reaching the final process. E-commerce has an erratic way of giving unpredictable services such as free delivery, order rescheduling, cancellations, returns and cash on delivery.

What is E-Commerce?

E-commerce or Electronic Commerce is often understood as being just as internet commerce.

Patricia Buckley's definition says

"(...) Electronic Commerce (i.e., business processes which shift transactions to the Internet or some other non-proprietary, Web-based system). Electronic Commerce is a means of conducting transactions that, prior to the evolution of the Internet as a business tool in 1995, would have been completed in more traditional ways--by telephone, mail, facsimile, proprietary electronic data interchange systems, or face-to-face contact."³

Patricia's definition of E-Commerce is actually a definition of internet commerce. The words 'traditional ways' mentioned referring to electronic means.

The perfect definition is given by Roger Clarke⁴, who has been working on e-commerce topics since the late 1980's. He says:

"the conduct of commerce in goods and services, with the assistance of telecommunication and telecommunications-based tools."

Another very useful definition is the one of A.R. Lodder⁵. According to him

"commercial activities concerning goods and services as well as any business transaction, where participants are not necessarily at the same physical location and therefore do apply telecommunication means."

There is no proper definition provided in any of the statues. It contains all businesses which are done by computers and cell phones and some of them are as follows B2B, B2C, C2C, C2B or B2B2C. This online trading is not that simple as it may look and involves a lot of legal issues.

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³ Patricia Buckley, U.S. Department of Commerce, "The emerging digital economy II", p 1, available at http://www.sipeb.aoyama.ac.jp/~ida/courses/emerg-dig-econ2-jun99.pdf. (extracted on 10/09/2015)

⁴Clarke,"ElectronicCommerceDefinitions",availablehttp://www.anu.edu.au/people/Roger.Clarke/EC/ECDefns.html.(extracted on 10/09/2015)55Lodder, "Legal Aspects of Electronic Commerce", p. 4, available at

http://www.rechten.vu.nl/~lodder/enlist/ec.pdf. (extracted on 10/09/2015)

All the business that is conducted by the means of computer networks is considered as electronic commerce. Advancement in technology has made computer networks as an integral part of our economic infrastructure. Electronic includes 'click and buy' methods using computer and 'm-commerce' includes mobile phones or smartphones.⁶

About Consumer Protection

A person when comes into this world, he starts consuming. He/she needs clothes, milk, oil, soap etc... And these things are needed all along his lifetime. Thus we all are consumers in the literal sense of the term. When going to markets as consumers, the product or goods we buy to be in a certain way which satisfies us, i.e. in terms of right quality, right quantity, and right prices, right information about the mode of use, etc. but the consumer is still harassed or cheated. The government understood that there is a need to protect the interest of the consumers from unscrupulous suppliers and several laws have been made for this purpose. The principle purpose of the law is to prevent the over bargaining power by the sellers and suppliers of the goods and services and to regulate the line quality of bargaining power between them and the consumers.⁷

Definitions of Consumer are:

John F. Kennedy the President of the United States on 15th March 1962 declaration of to the US congress said that:

"Consumers, by definition, includes us all, they are the largest economic group, affecting and affected by almost every public and private economic decision. Yet there are the only important groups... Whose views are not often heard?"⁸

According to Section 2(d) of Consumer Protection Act, 1986 says that consumer means any person

buys any goods for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment, and includes

⁶ E-Commerce in India, Legal, Tax and Regulatory Analysis, August 2013, Nishith Desai Associates http://www.nishithdesai.com/fileadmin/user_upload/pdfs/Research%20Papers/E-Commerce_in_India.pdf

⁷ Cassim, "Consumer protection and the Credit Agreements Act", THRHR 1984 (47), p. 311.

http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.96.7671&rep=rep1&type=pdf

⁸ Helge Huffman's research paper accepted and published in international journal. http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.96.7671&rep=rep1&type=pdf

any user of such goods other than the person who buys such goods for consideration paid or promised or partly paid or partly promised, or under any system of deferred payment when such use is made with the approval of such person, but does not include a person who obtains such goods for resale or for any commercial purpose; or

hires or avails of any services for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment, and includes any beneficiary of such services other than the person who hires or avails of the services for consideration paid or promised, or partly paid and partly promised, or under any system of deferred payment, when such services are availed of with the approval of the first mentioned person;

Explanation: The purpose of the sub-clause "commercial purpose" does not include use by a consumer of goods bought and used by him exclusively for the purpose of earning his livelihood, by means of self-employment.

A 'consumer' is defined as a person who buys goods or avails services against payment. Goods may include consumable goods (like wheat flour, salt, sugar, fruits, etc.) or durable consumer goods (like television, refrigerator, toaster, mixer, bicycle, etc.). Services that are paid for may include electricity, telephone, transport, theatre / cinema, postal / courier, etc.⁹

Consumer Protection in India before Consumer Protection Act, 1986 Historical Development of Consumer Laws¹⁰

In India, the concept of consumerism was active from the very beginning i.e. from the ancient period. As per the Arthashastra of Kautilya, it was the duty of the Super intenders to put the product produced by the government in the market under favourable conditions and to supervise their sales at reasonable prices. Business persons who cheated or interfered generally with the proper functioning of the market prices were given heavy punishment. In a similar fashion,

http://www.cag.org.in/consumer-information-list (extracted on 15/09/15)

¹⁰ HISTORICAL DEVELOPMENT OF CONSUMER PROTECTION LAW http://shodhganga.inflibnet.ac.in:8080/jspui/bitstream/10603/7831/10/10_chapter%202.pdf

⁹ Citizen Consumer And Civic Action Group

Narada and Brihaspati have also laid down various laws and regulations to safeguard the interests of buyers and sellers.

Therefore, it can clearly be said that the consumer protection jurisprudence of India as understood and developed in modern times owes its genesis to the ancient period and the concept of providing protection to consumers through laws relates back to the time immemorial.

Consumer Protection Laws during Ancient Period

In Ancient India, the Vedas were considered as the words emitting out of gods mouth and were considered to be supreme and sacred injunctions governing supposedly the entire society during the ancient period. An introspection of this ancient literature reveals various commands or dictates or injunctions or prescriptions governing different aspects of trade and activities affecting consumers and providing sanctions in the form of punishment or monetary sanctions in cases of violations.

It is descriptive that serious efforts were made by the lawmakers in ancient period of civilisations in India to protect the various interests of the consumers by providing rules and regulations prescribing certain duties and the violators of these rules or regulations were in most cases subjected to punishment by fine.

Consumer Protection Laws during Medieval Period

Ancient Hindu Law governed Hindu populace, particularly in the field of personal law, the legal principles of Muhammadan Laws, were engrafted in the Indian judicial system with the advent of Islam in India. The use of unjust weights and measures has been condemned by the prophet in the passages found in the "HOLY QORAN". The "Holy Qoran" also contained various prohibitive injunctions, prescriptions and directives for the purposes of protecting consumers from malpractices indulged into by the traders.

In British rule in India, the common law system of administration of justice was also inculcated on the Indian soil and during 17th, 18th and start of 19 centuries; the rights and interest of

consumers were mainly regulated and protected by the common law of Tort or Law of Contracts.¹¹

Legislative Development of Consumer Protection Laws in India

After the Advent of British rule in India along with the usage of English Common Law, various legal measures were also taken from time immemorial i.e. since 1600, to protect the interest of public at large and were almost covered by the Common Law Principles in their contents. Despite all of the enactments present the principles of Common Law also continued to be applied to the judgments of the Privy Council and the High Court's as and when there was a necessity for interpreting or clarifying these statutes or for dealing with those subjects which were not taken care by the statutes.

The collaborative actions were taken against the providers of defective goods or services under the standardised contract and beginning of a strong consumer movement was required.

The Sale of Goods Act, 1930 was enacted. There are certain terms and which have to be followed in the form of 'condition' or 'warranty' in a Contract of Sale. The legal meaning of the two terms is used in technical sense. 'Condition & warranty' are defined under Section 12 of "The Sale of Goods Act, 1930". The conditions and warranties are with regard to the following;

- Title of Goods
- Description of Goods
- ✤ Merchantability of Goods.¹²

The following are the main rights and remedies that are given to the buyer in case of sale of defective goods;

- Right to Rejection of Goods
- Right of Repair or removal of defects or replacement of goods
- Right to claim damages
- ✤ Right of get specific performance.

¹¹ Harijan May 4, 1935, quoted in the Wisdom of Gandhi 49 (1967) Philosophical Library New York. <u>http://shodhganga.inflibnet.ac.in/bitstream/10603/7831/10/10_chapter%202.pdf</u>

¹² Rowland V. Dival (1923) K. B. 500. <u>http://e-lawresources.co.uk/Rowland-v-Divall.php</u> (Extracted on 17/09/12)

The Drugs Act, 1940 was passed in British India by the then Governor General in the year 1940 on the recommendations of the Drugs Enquiry Committee. There in after later on there had been an amendment that had taken place "The Amending Act of 1962", which included the word cosmetics in the title and other necessary places in the Act. The act was later renamed as "The Drugs and Cosmetic Act, 1940".

In the post-independence era, a new dimension was given by the adoption of Constitution in the year 1950, to the legislation making according to the needs of the citizens in general and consumers in particular. "The Directive Principles of the State Policy" were followed by the citizens of the state in its future legislative activities and the post independent era had seen a lot of enactments for benefitting the consumers. The major enactments are as follows:

- ✓ The Drugs (Control) Act, 1950;
- ✓ The Prevention of Food Adulteration Act, 1954
- ✓ The Essential Commodities Act, 1955.
- ✓ The Monopolies and Restrictive Trade Practices Act, 1969.
- ✓ The Bureau of Indian Standard Act, 1986.
- \checkmark The Consumer Protection Act, 1986.¹³

The Need for Consumer Protection Laws

There are a lot of problems faced by the customers online that are not much different from transactions concluded offline, but it cannot be contradicted that online consumers have special needs example: great risk of privacy in cyberspace. In the offline environment, consumers get a chance to inspect potential purchases and have a clear understanding to judge of them, whether the seller is reliable in the e-commerce world. In online trading, the consumers have no other choice but to proceed with the unknown seller or very little information about the seller with forced faith with whom they are committing to give a variety of information which includes credit card information also.

The Consumer Protection Act, 1986 governs the relationship between consumers and service good providers in India. In India, there is no specific or separate consumer protection law that

¹³ Consumer Rights in India

http://www.consumerrights.org.in/

regulates online transactions. There poses a liability only if there is "deficiency in services" or "defect in goods" or happening of an "unfair trade practices". The Consumer Protection Act specifically excludes from its ambit delivering of any services that are of free charge.

This cannot happen if the online platform is not charging the users. If there is a sale happening on the online platform the users are considered as 'consumers' under The Consumer Protection Act and its various provisions will apply to the products if sold by the online platform. The Consumer Protection Act, 1986's preamble states that the Act was legislated to provide the best protection to the interest of the consumers and for the purpose of making provisions for the establishment of the consumer councils and other authorities for the settlement of various consumers' disputes and for matters connected therewith.¹⁴

CONSUMER RIGHTS IN INDIA

The definition of Consumer Right is that the right to have information about the quality, potency, quantity, purity, price and standard of goods and services as it may be the case, but the consumer must be protected against any unfair practices of the trade.¹⁵

It is essential for them to know their various rights. In India, there are strong and clear laws to defend consumer rights but the actual plight of consumers in India can be said as complete dismissal. There are various laws that protect the interest of the consumers but the most important are **The Consumer Protection Act, 1986**.

All the consumers that include individuals, firms, a company and Hindu undivided family according to the law have the right to exercise their rights. Any person who knows basics about the court and procedures can follow the rules and file a complaint if his/ her rights are infringed.

In general, **The Consumer Rights in India** are listed below:

- > The Right To Be Protected From All Kind Of Hazardous Goods And Services
- The Right To Be Fully Informed About The Performance And Quality Of All Goods And Services

¹⁴ Objects of the Consumer Protection Act, 1986

http://nishasharmadavpushpanjali.blogspot.in/2008/02/objects-of-consumer-protection-act-1986.html

¹⁵ Consumer Rights in India,

http://www.consumerrights.org.in/rights.htm

- > The Right To Free Choice Of Goods And Services
- The Right To Be Heard In All Decision-Making Processes Related To Consumer Interests
- > The Right To Seek Redressal, Whenever Consumer Rights Have Been Infringed
- > The Right To Complete Consumer Education¹⁶

There are several other laws other than The Consumer Protection Act, 1986 like the Weights, Standards & Measures Act was formulated so that there is fair competition in the market and clean flow of correct information from goods and services from the service providers and the consumers. If there is an infringement of the rights of the consumers then a complaint can be filed in certain circumstances:

- The goods or services purchased by a person or agreed to be purchased by a person has one or more defects or deficiencies in any respect
- > A trader or a service provider resort to unfair or restrictive practices of trade
- A trader or a service provider if charges a price more than the price displayed on the goods or the price that was agreed upon between the parties or the price that was stipulated under any law that exist

If any goods or services that are hazardous to the safety or life of a person who has offered for sale, knowingly or unknowingly that causes injury to the health, safety or life.

Right to Safety

This right is regarded as a right to be protected against marketing of goods and services which are hazardous to life and property. This right is applicable to various areas like healthcare, pharmaceuticals and food processing units. This right is spread across the domains having a serious effect on the health of the consumers. Whenever there is a violation there is occurs medical malpractice lawsuits in the country. This right needs every product which can possibly be a peril to our lives to be promoted after sufficient and complete confirmation and also approval. India is 50 years away, for engaging this privilege sufficiently and totally.

Right to be Heard

¹⁶ Consumer rights

http://www.consumerrights.org.in/rights.htm

The privilege to be heard and to be guaranteed that shopper's advantage will get due thought at fitting discussions' is the meaning of the privilege to be listened. This right serves to engage the buyers for advancing their objections and concerns courageously and raising their voice against items or even organisations and guarantee that their issues are mulled over and additionally taken care of speedily. There is a website known as consumerdaddy.com which strives that the consumer's voices are heard by the corporate world.

Right to Redressal

The privilege to look for redressal against uncalled for exchange practices or corrupt misuse of shoppers' is alluded to as the privilege to redressal as indicated by the Consumer Protection Act 1986. The administration has been bit more fruitful with respect to one side. The Consumer courts like District Consumer Disputes Redressal Forums at the region level, State Consumer Disputes Redressal Commissions and National Consumer Disputes Redressal Commissions have been consolidated with the assistance of the buyer assurance act. This buyer grievance redressal organisations have a guardian and also geological words which address purchaser cases in the middle of organisations and customers.

Right to Consumer Education

The privilege of each resident to have instruction on matters viewing shopper security and additionally about her/his privilege is viewed as the last right given by the Consumer Protection Act 1986. The right verifies that the shoppers in the nation have enlightening projects and materials which are effortlessly open and would empower them to settle on obtaining choices which are better than anyone might have expected. Customer training may allude to formal instruction through school and school educational modules and in addition purchase mindfulness crusades being keep running by non-legislative and administrative offices both. Customer NGOs, having little support from the legislature of India, essentially embrace the assignment of guaranteeing the purchaser right all through the nation.

Rights and Responsibilities Of Consumers

Consumer Rights

It is alluded to as the Right to Safety and assurance from risky merchandise or services. The Right to be Informed and ensured against beguiling, false or data that misdirects and have an entrance to right data and additionally certainties needed to go for educated decisions alongside decisions. The Right to Choose and have simple access to diverse sorts of items and administrations offered at focused and reasonable prices. The Right to be heard serves to express and speak to premiums of purchaser really taking shape of political and monetary decisions. The Right to Redress and getting remuneration for deception, inadmissible administrations or trashy products is critical for customers and the Right to Consumer Education helps the shopper to wind up educated and fit for working legitimately in the market. The Right to a Healthy Environment improves the personal satisfaction and give insurance from ecological issues for present and additionally future eras.

Consumer Responsibilities

Purchase obligations allude to the obligation of having familiarity with the quality and wellbeing of merchandise and administrations while obtaining and the obligation to gather data accessible around an item or administration and to upgrade oneself with changes or advancements occurring in the business sector. It implies the obligation to think and also settle on decisions independently and consider prompt needs and needs. It alludes to the obligation to stand up and educate makers and administrations of necessities and needs and the Responsibility to Complain or illuminate business alongside other individuals about uneasiness with an item or administration in an honest way. There ought to be Responsibility of being an Ethical Consumer and be reasonable and not connect with not in acts of neglect which make all customers pay. According to the principles of John F. Kennedy¹⁷(The President of United States), he says consumer freedom has the following main elements, that are:

- Protection
- Information
- Choice &
- Redress.

¹⁷ McQuoid-Mason, Consumer Law in South Africa, <u>https://books.google.co.in/books?id=dYrFr1JXL_oC&pg=PA332&lpg=PA332&dq=McQuoid-Mason,+Consumer+Law+in+South+Africa,&source=bl&ots=QUn8f7vFjj&sig=1n9Ee2Q7DnPhCj4nZGZcuJAWfZU&hl=en&sa=X&ved=0ahUKEwj4pcbljr3KAhWXj44KHRwQDFEQ6AEIITAB</u>

Consumers should have the confidence that the goods and services offered online are fairly represented and the dealer would deliver the goods on time and is not engaged in illegal practices. Furthermore the consumers should be protected against uninvited communication: illegal goods or harmful goods, services and information; inadequate content about the goods and dealers; accessing of website page; incursion of privacy; lack of information about the foreign laws such as contract and cyber-fraud being applicable as the consumers are unaware of the protection they require.

In terms of consumer market things can go wrong in global commerce. The consumers are outpaced with the following issues of consumer protection

- Data insufficiency(the consumers do not have the ability to find out basic information about the product or service, trader, on which he or she can make reasonable choices);
- After sales problems(such as default of supply of goods or services after the payment has been made, suboptimal goods or services or the goods or services that have health and safety risks)
- Fiddling and unethical controlling (such as identity ratification, incorrect advertisements, scams like pyramid selling scheme or investment scheme or work from home scheme or deceiving them to make payment without having the intent to supply goods.)
- Challenge with privacy issues(such as consumer's communication and consumer data protection)
- Payment over the Internet(such as transactions that are not authorised, loss and errors, as well as credit card numbers and bank account details, require security)

E-Commerce is considered too often cross borders. Almost all potentially international and not all countries consider the same consumer protection standards. The best way to harmonise standards is through legislation.

In an online platform, the situation depends on upon the person who is selling the goods or rendering services then only the liability might trigger. The allocation of goods also comes under the purview of The Consumer Protection Act. There is a special forum which adjudicates and was constituted by The Consumer Protection Act . These are some of the various sanctions imposed under The Consumer Protection Act:

✓ Removal of defects/deficiencies

- ✓ Replacement of goods
- ✓ Return of price paid
- \checkmark Pay compensation as may be awarded
- ✓ Discontinue the unfair trade practices or restrict trade practices

In the e-commerce spectrum these are the various leading organisations which are working to provide protection to the consumers:

- Organization for Economic Co-operation and development(OECD)
- International Chamber of Commerce(ICC)
- International Consumer Protection and Enforcement Network(ICPE)

Case Study

Rediff.com India Limited v Urmil Munjal¹⁸

In this case, Petitioner filed an application stating that he never received a copy of the order and the same was never served upon the petitioner. The petitioner received show cause notice from the District Court for non-compliance of the order of the State Commission, upon receipt of the same, the petitioner followed up with its counsel and got the certified copy of the order. However, neither the condonation application nor the certified copy show

The date on which it was applied for - Significantly, the endorsement on the same copy of the impugned order also indicates that free of cost copy, Copy supplied was a duplicate copy It was, therefore, clear that the claim of the petitioner that he came to know about the existence of the impugned order 1 year later, has no factual basis. Moreover, petitioner was engaged in business of providing services through its internet portal (www.rediff.com) to interested buyers and sellers by acting as a means of communication between them and bringing into existence contracts of sale and purchase of movable goods - If this was the declared business interest of the petitioner it cannot be permitted to claim that it was providing purely gratuitous service to its customers, without any consideration - It was certainly not the case of petitioner that it was a charitable organization involved in e- commerce, with no business returns for itself - Hence, contention of the petitioner that the petitioner was not a consumer of the revision petitioner within the meaning of s. 2(1) (d) of the Act was rejected – Revision was petition dismissed.

¹⁸ 2013 Indlaw NCDRC 160; 2013 (2) CPJ(NC) 522

Conclusion

For the economic growth **"The INTERNET"** is highly important. The Internet has its own unique identity when represented globally in terms of market penetration. A person anywhere in the world having a computer connected to the internet can carry out an electronic transaction. Technology is developing faster than law and will continue to develop faster than law.¹⁹ Charles Clark once said, *"The answer to the machine is a machine"*²⁰. The only solution for this technical abuses is the applying the process of technical innovation.

It is relevant that E-Commerce websites should have absolute clarity in laying down purchasing and payment process and update on the information which is provided on a regular basis. The nature of goods or services offered by the e-commerce should be brought to the proper attention of the consumers so that they have an opportunity to read and then accept it, that means the terms and conditions of the contract between the seller and the consumer are not general in nature but specific. E-Commerce should take a reasonable amount of steps to prevent a transaction which is not authorised. It is the duty of the e-commerce to train the employees and alarm them of the risks and help them work towards the capacity. On the overall basis, the risk mitigation of the company should be critical and in implementing the risk of management policy by working more crucially. The only way to win the game in the market is to get the consumers attention and this is only possible by understanding the consumer's behaviour (for example having the track of the footprints on their own websites, which becomes evidence at a later stage).

In the end, e-commerce can only be said as a technology which has strategies and proper business management. This platform should also perform protection and safeguard for its users. This ensures that the problems are par or the companies can have a strategy to go against them. Consumer issues have gained a lot of importance in the context of e-commerce both from policy makers and academics. Various government and inter-government organisations have considered these issues and have developed various frameworks. Now taking a review of the existing legal framework it clearly shows that it has completely failed to satisfy the needs of the consumers.

¹⁹ E-commerce and consumer rights of e-consumers, manupatra, Hina Kausar

file:///D:/Projects%20for%20SEM%20II/Law%20of%20Torts/123.pdf

²⁰ CHARLES CLARK, The answer to the machine is a machine, P. Bent HYGENHOLTZ(ed.). The future of Copyright in a digital Environment