

Consumer Protection

Consumer Law

- All statutes, agency rules and common laws that protect the interests of consumers
- Federal and state laws

Deceptive Advertising

- Advertising is deceptive if a consumer would be misled by its claims
- Puffing: Vague generalities and obvious exaggerations are permissible, not considered deceptive
- Bait and Switch: Advertising of product at attractively low price to lure customers in to buy more expensive items

FTC Sanctions against Deceptive Advertising

- Federal Trade Commission
 - enforces federal laws against deceptive advertising
 - Can issue *cease and desist orders*
 - with respect to a particular product or advertisement
 - with regard to multiple product orders
 - Can impose *counteradvertising*

Telemarketing

- Telemarketing and Electronic Advertising
- Telephone Consumer Protection Act (TCPA)
 - prohibits automated solicitation using automatic telephone dialing system or a prerecorded voice

Labeling and Packaging Law

- Labeling must
 - be accurate
 - use words easily understood by ordinary consumers
- Product labeling and packaging are regulated by
 - Wool Products Labeling Act of 1939
 - Fur Products Labeling Act of 1951
 - Flammable Fabrics Act of 1953
 - Fair Packaging and Labeling Act of 1966
 - Smokeless Tobacco Health Education Act of 1986
 - Nutrition Labeling and Education Act of 1990

Forms of Sales

- Door-to-Door Sales
- Mail Order Sales
- Telephone and Mail-Order Sales
- Unsolicited Receipt of Merchandise

Door-to-Door Sales

- Most states requires that consumers have a post-sale “cooling-off” period during which they can cancel purchase without obligation
- Consumers given most favorable benefits of the FTC rule and their own state statutes

Telephone and Mail Order Sales

- Sellers subject to federal mail and wire fraud statutes
- FTC requires merchants to
 - ship orders within the time promised in catalogues, ads
 - notify consumers when orders can’t be shipped on time
 - issue timely refunds when orders can’t be shipped
- Postal Reorganization Act of 1970 allows recipient to dispose of unsolicited merchandise sent by US mail in any manner, without obligation to sender

On-Line Sales

- FTC enforces actions against internet marketing scams
- Some states (e.g., California) have enacted state law to enforce fraudulent online marketing and sales practices

Credit Sales

- Consumer Credit is protected by:
 - Truth in Lending Act
 - protects credit card holders
 - Equal Credit Opportunity Act
 - Fair Credit Reporting Act

Credit Protection

- Fair Debt Collection Practices Act
 - Curbs abuses by collection agencies, who can't
 - Contact debtors at work
 - Contact debtors at odd hours
 - Harass or intimidate debtor
 - Contact debtor after debtor informs the creditor the debtor is refusing to pay the debt

Garnishment of Wages

- Creditor may collect debt by directly attaching, or seizing, a portion of the debtor's assets
 - such as wages that are in the possession of a third party
- Debtor entitled to notice and opportunity to be heard in garnishment process
- Wages cannot be garnished beyond 25% of debtor's after-tax earnings, up to a maximum amount designed to leave the debtor a specified minimum income

Consumer Health and Safety

- Federal Food, Drug, and Cosmetic Act
 - Protects consumers against adulterated and misbranded foods and drugs
- Consumer Product Safety Act
 - Created Consumer Product Safety Commission, which has broad regulatory authority over the safety of consumer products

State Consumer Protection Remedies

- UCC provides some protection
- Magnuson-Moss Warranty Act
- Uniform Consumer Credit Code
 - not adopted in many states
- State “deceptive trade practice” acts
