

Chapter 3-Your Purchasing Power

Section 3-4 Consumer Rights and Responsibilities

Consumer Rights

- Marketplace has previously been known as “buyer’ beware”
- Consumers had little protection against unfair practices
- As these unfair practices began to become evident, protections were put in place to protect consumers
- Knowing your rights can protect your purchasing power

Consumer Bill of Rights

- Created in 1962
- Grants the following rights:
 - Safety from unsafe products
 - Informed of facts to make good choices
 - Choice amongst a variety of quality products at competitive prices
 - Redress (reimbursement) in the form of compensation for complaints and injuries
 - Consumer education in form of programs and information that will help consumers make better decisions

Airline Passenger Rights

- Passed in 1999, due to unfair treatment of airline passengers
- Law guarantees the following:
 - Confirmed reservations-you will be provided a seat on the flight
 - Refunds-if your ticket is cancelled you will be issued a refund, if it is a nonrefundable ticket, fare can be applied to a future flight
 - Compensation for hardships-delays, cancellations or bumps due to oversold flights are compensated

Consumer Technology Bill of Rights

- This bill protects consumers and grants the following rights:
 - **Time-shifting**-The recording of video or audio for later viewing or listening
 - **Space-shifting**-Allows for the copying of the contents of a CD or other media to a portable device or other device for personal use.
 - **Backup Copies**-Allows a consumer to make backup copies of purchased CDs, DVDs and other media in case these are destroyed
 - **Platform of Choice**-Allows a consumer to listen to music on whatever device he/she chooses. Example: iPod, MP3
 - **Translation**-Allows a consumer to legally acquire content into a format that makes it more usable for him/her. Example: a blind person could modify an electronic book so it could be read out loud.

Patients' Bill of Rights

- **Informed Disclosure**
 - Right to receive accurate, easily understood information to make informed health care decisions
- **Choice of Providers**
 - Right to choose your own doctor and other health care provider
- **Access to emergency services**
 - Right access emergency services when and where the need arises
 - Health plan can restrict you to a list of providers
- **Treatment decisions**
 - Right to participate in all decisions related to your health care
- **Respect and nondiscrimination**
 - Right to considerate, respectful care from all health care providers
- **Confidentiality**
 - Right to confidentiality regarding your health care information

Consumer Protection Laws

- Laws passed to protect consumers from unsafe, unfair and deceptive practices
- Ensure that consumers get quality goods and services for their money
- The following are Consumer Protection Laws:
 - **Food, Drug, and Cosmetic Act of 1938**
 - Requires foods be safe, pure and wholesome
 - Requires drugs and medical devices be safe and effective
 - Requires that cosmetics be safe for human use
 - Requires truthful labeling
 - **Hazardous Substances Act of 1960**
 - Requires that warning labels must appear on all products that are potentially dangerous to consumers
 - Requires recalls when products contain dangerous defects

Consumer Protection Laws

- The following are Consumer Protection Laws:
 - **Kefauver-Harris Drug Amendment of 1962**
 - Requires manufacturers to test drugs for safety and effectiveness before being sold to consumers
 - Allows for the sale of generic medication with the same composition as a brand-name, but at a much lower price
 - **Cigarette Labeling and Advertising Act of 1965**
 - Requires that warning labels regarding health hazards must be clearly visible on products
 - Warning Label-contains information advising consumers of product risks and safety issues
 - **National Traffic and Motor Vehicle Safety Act of 1966**
 - Established safety standards for automobiles and for new and used tires
 - Testing and inspections are required to ensure that minimum standards for safety are met

Consumer Protection Laws

- The following are Consumer Protection Laws:
 - **Care labeling Rule of 1971**
 - Care labels on clothing and items that can be washed must give instructions for cleaning, washing and drying temperatures and other care instructions to preserve the product
 - **Nutrition Labeling and Education Act of 1990**
 - Labels must disclose the amount of nutrients in food, including calories, fat, salt and other ingredients
 - **Family Educational Rights and Privacy Act (FERPA) of 1974**
 - Protects the privacy of student records
 - Information can not be released without parent consent for a student under age 18
 - Social Security numbers may not be used as student ID numbers
 - **Health Insurance Portability and Accountability Act (HIPAA) of 1996**
 - Protects health and billing information, including that stored on computers or networks
 - Limits who has access to the information
 - Social Security numbers can't be used as patient identification
 - Consumers are allowed a copy of their health records to make changes and to know how information is being used.

Consumer Protection Agencies

- Federal Agencies
 - U.S. Department of Agriculture (USDA)
 - Inspects food to ensure wholesomeness and truthful labeling
 - Provides food assistance programs and information on diets and nutrition
 - Food and Drug Administration (FDA)
 - Enforces laws and prevents or stops the selling of mislabeled foods, drugs, cosmetics and medical devices
 - Provides standards and guidelines for poisonous substances
 - Investigates complaints
 - Researches substances found to be dangerous
 - Consumer Product Safety Commission (CPSC)
 - Protects consumers from risk of injury or death from uses and foreseeable misuses
 - Issues recalls
 - Federal Communications Commission (FCC)
 - Regulates interstate and international communications by radio, television, wire, satellite, and cable

Consumer Protection Agencies

- Federal Agencies
 - Federal Trade Commission (FTC)
 - Restricts unfair methods of completion, false or deceptive advertising
 - Restricts inaccurate information on cred reports
 - Restricts concealment of true cost of credit
 - Handles complaints of Identity theft
 - Federal Aviation Administration (FAA)
 - Controls air traffic
 - Certifies aircraft, airports, pilots and other workers
 - Writes and enforces air safety regulations
 - Securities and Exchange Commission (SEC)
 - Protects investors
 - Oversees the securities (stocks and bonds) markets
 - Investigates complaints of mishandling of investments by securities professionals

Consumer Protection Agencies

- State and Local Assistance
 - State Attorney General's Office
 - Handle consumer complaints
 - County and City Governments may also have consumer protection offices

Consumer Protection Agencies

- Private Organizations
 - The Better Business Bureau (BBB)
 - Clearinghouse of information about local businesses
 - Consumers can review complaints about a business
 - Consumers can file complaints through the website
 - Business can respond
 - BBB suggests solutions
 - The Major Appliance Action Panel (MACAP)
 - Provides assistance with resolving consumer complaints in the purchase and use of home appliances
 - The National Consumers League (NCL)
 - Combats fraud against consumers
 - Has specific Internet Fraud Watch division
 - Consumers Union (CU)
 - Not-for-profit organization
 - Tests and evaluates products
 - Publishes monthly *Consumer Reports* magazine

Ways Consumers are Defrauded

- **Deception** occurs when false or misleading claims are made about the quality, price or purpose of a product
- Types of Deception (Fraud):
 - **Bait and Switch**-illegal sales technique in which a business advertises a bargain product with the intent of persuading consumers to buy a more expensive product.
 - **Fake Sales**-A business advertises a big sale, but keeps items at regular price.
 - **Low-Balling**-advertising a basic service at an unusually low price to lure in customers and then telling them that they need additional repairs or services
 - **Pyramid Schemes**-A multilevel marketing gimmick that promises people high commission on their own sales as well as on the sales of other people they recruit.
 - **Ponzi Schemes**-A fraudulent investment operation in which money collected from new investors is used to pay off earlier investors.
 - **Pigeon Drop**-A scam in which a con artist convinces a person to give up his or her money in return for a share of a larger sum of money.
 - **Fraudulent Representation**-when people claim to represent well-known companies or charities, and the consumer ends up buying worthless or unusable products or donating money to a fictitious charity
 - **Infomercials**-lengthy paid TV ad that includes testimonials, demonstrations and introductory prices for a variety of products (fitness, weight loss, hair growth, cosmetics)

Protecting Yourself from Fraud

- Shop Smart
 - **Be aware of prices**-know regular or list prices of common items
 - **Understand sale terminology**-know the difference between sale, clearance sale and liquidation (business wants to sell everything right away)
 - **Compute Unit Prices**-Unit price is the price for 1 item in a package
 - **Read Labels**-know what the products are made of...are there hidden costs involved in owning a product
 - **Check Packages Carefully**-Make sure the package isn't damaged and that it hasn't been opened
 - **Read Contracts**-Understand a contract **BEFORE** you sign it
 - **Keep Receipts and Warranties**-keep receipts and warranty copies for all major purchases
 - **Warranty**-a statement guaranteeing the quality and performance of a product or service
 - **Compute Total Cost**-know the total cost of an item, including shipping, taxes, handling, finance charges and supplementary items (batteries, SD cards, etc.)
 - **Research Businesses**-check for certifications, licenses, bonding and other qualifications. Check for complaints.

Stay Informed

- Educate yourself about products and services before you buy
- Seek information for publications or websites
- Analyze advertisements and assess your needs
- Visit consumer protection websites to learn about the latest scams
- Report fraudulent practices to the consumer protection agencies

Seek Redress

- When you have a complaint or need to solve a problem, you have the right to redress (a remedy to the problem).
- Take the following steps for redress for a product:
 1. Take the product back to the store where you bought it from
 - Calmly explain the problem with detail
 - Ask to speak to a manager
 - If you bought a product online-contact customer service
 2. Stay firm, but not angry
 - Explain why you are dissatisfied
 - Ask for what you want (refund, replacement, repair)
 - Be reasonable
 3. Put your complaint in writing
 - If you are not satisfied with the manager's remedy send a complaint to the store's headquarters or owner
 - Be specific about what you want
 - Specify a reasonable time period for a resolution of the problem
 - Send copies of sales receipts, warranties, previous correspondence and anything else that will support your position
 - Keep copies of your correspondence and notes about who you have talked to and what was said
 - Make note of any actions taken or promised

Seek Redress

4. File with consumer protection agencies
 - If still dissatisfied with the result, file a complaint with the appropriate consumer protection agency
 - Provide agency with full description and copies of your documentation
5. Last Resort, seek legal recourse
 - Attorney's fees are expensive so it is better to resolve the issue yourself if possible
 - Small claims court or other legal remedies may be a less-expensive choice
 - Know what you want and be prepared to negotiate and compromise if the remedy offered is fair