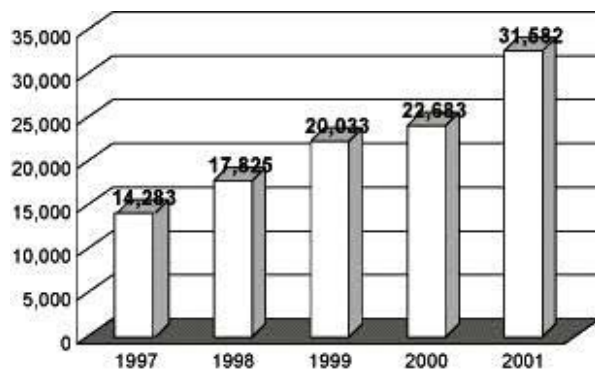


Trends in Consumer Issues

Problems of multiple debts growing more serious.

Problems of multiple debts are growing more serious. As a figure showing this fact graphically, the number of individuals who filed personal bankruptcy during 2001 exceeded 160,000, marking about a 15% increase over the preceding year. The number of consultations concerning multiple debts held with consumer centers in various districts is also on the increase, and during 2001, over twice as many consultations as 5 years before in 1997, were held (source: the national consumers information network system, "PIO-NET: Practical living Information Online **NET**work" as of August 23, 2002). The chart below shows the number of consultations held since 1997.

Numbers of consultations concerning multiple debts



Although the increase in income declines due to the influence of long-term business depression, expenditure to people who have to repay for various loans does not have the inclination to decrease. Under the circumstances, it seems that the number of consumers who frequently

use consumer credit and loan is increasing. In advertisements of consumer credits scattered through TV and other media, such fair word as "cashing" is used instead of "debt" which has rather a negative image, and as a matter of fact, consumers themselves no longer feel awkward when borrowing money. It can be said that the situation of people being able to "easily borrow" money also means that consumers are likely to get trapped into multiple debts.

According to surveys by Japan Credit Counseling Association and the NCAC, among the major expenditures which formed the bases for a drop in multiple debts were: Cost of living; Expenses for leisure, eating, drinking and socializing; and Gambling. For the cost of living component, it can be considered that there exists a case where the consumer has lost his/her source of income because of a corporate restructuring or contingency, or sickness and was forced to borrow modest amounts of money for daily living repay for his/her loan had to be continued. As a result, he/she one day found him/herself burdened with very high loan debts. In addition, there is the case where a consumer continues to borrow money for living costs to cover a decrease in income, thus fell into multiple debts within a certain period of time. If a consumer suffers disruption of, or decrease in, income in a situation where money can be easily borrowed, it is natural that he/she are likely to become unintentionally trapped in multiple debts.

By abusing these situations, the number of "covert financing businesses" making loans with unreasonable interest is on the increase, which is spurring the problem of multiple debts. The "covert financing business" is so called because it carries on business charging high interest without filing registration as a moneylender. But recently, companies that doing this kind of business with unreasonable interest after having

filed registration are on the increase. This is because registration makes it easy to advertise (since the advertisement media set criteria for determining the propriety of placing an advertisement whether the advertiser is registered as a moneylender or not), and also that it provides an advantage to the company that the registration, as seen from the borrower's side, gives the impression that "a registered company is safe and reliable". It can be said that one of the causes of the increase in the number of registered moneylenders is, as far as registration with a prefectural or metropolitan government is concerned, that anybody can file a registration if the applicant pays a certain handling fee. Where a consumer has borrowed money from a "covert financing business" and is unable to repay as a result of extremely high interest, he/she may be subjected to violent and threatening money-collection activities by the company, and it has been heard that there are many cases where such consumers are forced to take extreme measures such as fleeing their homes or committing suicide.

In order to resolve problems of multiple debts which are growing more and more serious, it is important to review and amend the relevant law to restrict the loan interest at the time of registration of the moneylender, to review the system related to the registration of moneylenders, to establish organizations to accommodate consultations for the benefit of persons who are aggravated by multiple debts or collections by illegal moneylenders, and most of all, to provide education to borrowers on how to manage money.

Expanding problems of health foods

In July 2002, the Health, Labor and Welfare Ministry made an announcement regarding the circumstances of health hazards incurred after taking unapproved medicines or similar privately imported from China. According to the announcement, the products which have caused health hazards are "Onshido Genpikono" and "Sennomoto Kono", and if either of these products is taken, it could result in liver dysfunction.

A health food means a food substance other than medical supplies, which claims to have the effect of improving health or losing weight. The number of consultations concerning health foods held with the Consumer Injury Information System of the NCAC in the past 10 years was

about 80,000. Of these, the number of cases of health hazards caused by consuming health foods was about 3,700. Concerning health foods claiming to have a weight-loss effect, about 8,600 consultations have been held in the past 10 years. Of these, the number of cases of health hazards caused by consuming health foods claiming to have weight-loss effects was about 770. The number of consultations concerning health foods is increasing each year. About 80% of consumers who have had consultations are female, 30% of who are in their 20's or 30's.

The consultations concerning health foods that claim to have weight-loss properties are "whether the health food is really effective", "the consumer did not lose weight despite having taken the health food", "the consumer health was diminished after taking the health food" and others. Such health hazards arising after taking a health food include stomach upsets such as diarrhea and stomachache, skin lesions such as eczema, swelling in the throat and slight fever.

Many of the consumers who had consultations purchased health foods through at-home sales or mail order services. There are many cases where a consumer was told of the effect of "curing a disease" or "reducing weight" and was urged to continue to consume particular health foods over a long period because no effects would be seen in a short period. These consumers often buy health foods in bulk spending over ¥500,000. Also, there are many cases that although a consumer have symptom of eczema, diarrhea, vomiting or other upsets by taking a certain health food, a product seller persuade the consumer to continue to take the food by saying 'Such physical abnormality is a "change-for-the-better reaction"!'. .

According to the results of tests of health foods claiming to have weight-loss effect by the NCAC, such foods contain low quantities of energy when measured on a per meal basis, but are generally lacking protein and dietary fiber as well as a lack in vitamins and minerals to a large extent. Continuing to take such foods would result in nutrient deficiency.

The NCAC advises consumers as follows:

- A health food is a foodstuff. Consumers should not expect any kind of medicinal effect by consuming these foodstuffs.
- There are many cases where a health food does not agree with a person's constitution. When any upset occurs in the consumer's

health, he/she should immediately discontinue the product and consult with a physician.

- Consumers should be careful not to privately import unapproved medical goods or health foods.

Activities of the NCAC

Product Testing

The safety and ambiance of CFC-free refrigerators

Chlorofluorocarbon (CFC), which has long been used as a cooling medium to cool the inside of a refrigerator, has been found to deplete the ozone layer causing global warming. CFC-free refrigerators using a carbon hydride such as isobutane instead of CFC, i.e. CFC-free refrigerators are now receiving public attention. The NCAC has carried out a test regarding the safety and quality of CFC-free refrigerators.

As a result of the test, it has been found that CFC-free refrigerators have less environmental impacts. The global warming coefficient of isobutane used for CFC-free refrigerators is one 400th of that of CFC. The electric power consumption of CFC-free refrigerators is also lower than for CFC refrigerators. The refrigerating performance and noise during the operation CFC-free refrigerators was the same as conventional ones.

As isobutane is a flammable gas, if it leaks from a CFC-free refrigerator, it could cause a fire outbreak from the heat of frost-removing heater. However, compared with the ignition temperature of isobutane (470°C), the surface temperature of the frost-removing heater is lower by more than 100°C. It was found that considerations for the safety of CFC-free refrigerators is high, as seen in that the electric parts of CFC-free refrigerators such as interior light and switch are protected by covers or seals and indications warning that the cooling medium used is carbon hydride and explosion or ignition warnings are given.

Remaining quantity of insecticide in the room

Single-use insecticide is a convenient commodity that can expel such insects as flies, mosquitoes and ticks by a single action of ignition or adding water. However, consultations that some consumers were annoyed by such symptoms as skin lesions, intoxication and breathing difficulties after using an insecticide have been held with PIO-NET. As a follow-up, the NCAC tested eight

brands of single-use insecticides for a 6- to 10 tatami-size room. The results of the test were as follows:

- The quantity of insecticidal ingredient contained in each brand tested was about 2 grams, more than 100 times greater than the ADI (ADI -Acceptable Daily Intake - is the maximum quantity of an insecticide or agrichemical considered to be harmless if ingested, indicated in a unit per day per kg. of body weight (mg./kg./day).
- As a result of examination on how the insecticidal ingredient spreads, it was found that the insecticidal ingredient of some of the commodities was suspended in the air for a long time, and most of the insecticidal ingredient of some others adhered to walls and floors.
- The insecticidal ingredient suspended in the air was removed by ventilation, but that adhering to walls and floors did not decrease after ventilation. As a result of wiping the floor with a wet cloth, 40% of insecticidal ingredient adhering to it was removed.
- The instructions attached to the commodities require "ventilation after use". Since most of insecticidal ingredient remains in the room after using a single-use insecticide, merely performing ventilation after use is not sufficient.

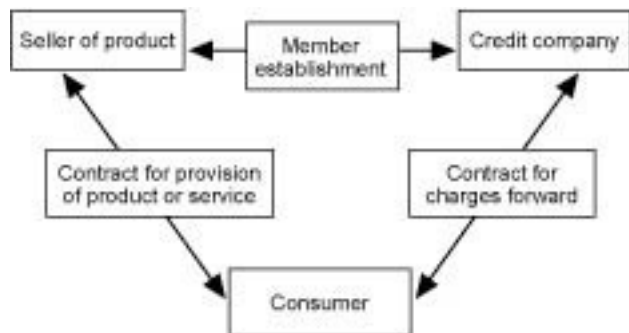
Based on the above-mentioned results of the test, the NCAC advises consumers to observe the notices given in the instructions and to perform room cleaning in addition to ventilation after the use.

Surveys and Studies

Special survey: "Issue of management by credit company of its member establishments regarding contracts of the third party sales credit for individual purchase"

It is quite a common practice to use a credit system when a consumer purchases an expensive product. The credit system is a convenient means of settlement to consumers, as well as a means of sales promotion to the seller of the product. It is natural that a consumer will be highly motivated to purchase a product or service for which he/she can never afford to pay in cash if he/she is told, "You can buy it by small monthly payments." However, as the number of consumers using the credit system increases, problems concerning the credit service are also increasing. In view of these circumstances, the

NCAC has conducted a survey on the issue of "contract of the third party sales credit for individual purchase". We especially saw as a problem concerning management by credit companies of product sellers. A "contract of the third party sales credit for individual purchase" constitutes the relationships indicated in the chart below:



A honest product seller will not cause problems, but a dishonest seller will possibly perform sales trick and push the sale of an expensive product upon the consumer. In this sense, it can be said that the credit system provides a highly effective means to sellers, especially dishonest sellers, and on the contrary, it gives consumers high probabilities of suffering damage. In fact, most of the problems which occurred in the past in relation to credit services were fraudulent sales utilizing a "contract for conciliation of installment buying of individual body". Essentially, credit companies should understand the operational reality of sellers contracted with their member establishments and manage them by, for example, eliminating any sellers recognized as being corrupt. However, there are many cases where, if any problem arises between a seller and consumer, a credit company asserts that it was not aware of the reality and refuses to respond to the damage suffered by the consumer. There is a possibility that the consumer has to unwillingly continue to pay installments for the product which he/she was forced to purchase. Based on the results of the survey, the NCAC requested the circle of credit companies to take such countermeasures as: Scrutinizing the examination of member establishments at the time of newly concluding contracts; Managing existing member establishments more strictly and suspending transactions with member establishments which carry out unfair transactions or similar; and e Responding to the relevant parties more appropriately in case of any trouble.

Remodeling of houses for aged persons requiring nursing care - Problems and

issues viewed during consumer consultations -

The number of consultations held with PIO-NET regarding the remodeling of houses for aged persons who require nursing care is on the increase. The number increased by more than double from 62 in 2000 to 136 in 2001. This was because a system to aid with the costs of remodeling houses in the nursing care insurance program was introduced in April 2000. When remodeling a house is done using this cost-aid system, the contractee is required to bear only 10% of the total costs of up to ¥200,000. Consultations concerning this "remodeling of houses using the nursing care insurance system" are frequently held with PIO-NET.

Consultations are classified by their characteristics broadly into two groups. One is consultations concerning remodeling of houses costing up to ¥200,000 using the cost-aid system. Because of the lack of experience and knowledge on the side of contractor, substandard work is carried out resulting in facilities that are useless to the aged person. The other is consultations concerning remodeling of houses costing over ¥200,000 to which the cost-aid system is not applicable. There are many consultations that, although a consumer was recommended to do remodeling as the aiding system is applicable and signed a contract, actually it proved to be expensive remodeling work costing over ¥200,000. Among those consultations held with PIO-NET, even a consultation concerning a contract of over ¥5,000,000 was found.

In order to prevent such damage, the NCAC proposed to review the current system in which "a consumer shall pay the full amount of the costs of remodeling work to contractor, and the municipality shall pay the amount of aid to the consumer after the work", and change it to a method were "remodeling shall require prior approval of the municipality and the cost of remodeling work shall be paid to the contractor from the municipality."

House builders' countermeasures and issues regarding sick house

It has been a long time since the problem of "sick house" became obvious. Sick house syndrome is caused by the phenomenon that the inside of a house is contaminated with chemical substances emitted from building materials, interior finish work materials and others used for building the house. Recently, endeavors to cope with this problem have moved into high gear in various

areas. In the administration sector, there have been such movements as the establishment of guidelines for the levels of 13 different chemical substances by the Health, Labor and Welfare Ministry and inclusion of countermeasures against sick house syndrome into the amendment of the Building Standard Law by the Land, Infrastructure and Transportation Ministry.

In response to such movements, the NCAC has conducted a questionnaire survey regarding countermeasures taken by house builders. Items in the survey include "Extent of knowledge regarding the guidelines for the levels of interior density of chemical substances and contents of countermeasures"; "Extent of knowledge about the housing performance indication system and condition of utilization"; and "Circumstance of receiving complaints concerning sick house". The number of respondents to the questionnaire was 195 out of 500, and the effective collection rate was 23.8%. The summary of the results of the survey is as follows:

- For the extent of knowledge about the interior density guideline levels, the rate of replies of "Yes, we know" was 97.2%.
- For the reactions to the interior density guideline levels, the rate of replies of "the values should be observed" was 67.4%. However, there were also replies of "just for reference" reaching 19.4%.
- Regarding whether any countermeasures were taken to cope with the establishment of the interior density guideline levels, the rate of replies of "have taken certain countermeasures" was 92.0%.
- For the circumstance of receiving complaints concerning sick house, the rate of replies of "Yes" was 13.3%, and "No", 86.1%. Regarding the timing of submission of complaints, replies of "less than 3 months after moving-in" were the most.

Based on the above-mentioned results, the NCAC has listed the following as main issues to be addressed from now on:

- Consideration should be given so that natural ventilation or ventilation by machinery will be sufficiently performed.
- Such information should be provided to consumers more in details that will be helpful as a measure at the time of purchasing the house.
- Such a system should be established that will facilitate appropriate responses to complaints

concerning sick house.

Protection of consumers in dealing of investment-type financial products

The number of consultations held with PIO-NET with regard to investment-type financial products such as stocks and investment trusts was 3,141 in fiscal 2001. The number is a sharp increase of that in fiscal 1999 which was 1,207.

To prevent damages related to such financial products, the NCAC has established a study team formed by experienced persons as its members, and compiled a proposal regarding the protection of consumers in the processes from issuance to sales of investment-type financial products to the occurrence of damages. The main contents of the proposal are as follows:

- Enshrining of rules for the issuance of new financial products into law

With regard to new-type financial products which are less known to the public, those suitable to general consumers should be differentiated from the others.

- Establishment of the suitability rule

Parties on the sales side should understand the conditions of the consumer purchasing a financial product, even if it is well known to the public, and determine whether the consumer will be able to bear with the supposed risk before the sales.

- Voluntary restraint from selling high-risk products

Sales of high-risk products with a complicated mechanism to individual investors should be voluntarily restrained.

- Enrichment of means such as extra-judicial resolution of disputes

To cope with the diversification of financial products and their sales windows due to the financial big bang, it is necessary to urgently establish a system for cross sectional resolution of problems in the field of financing.

Visitors from Foreign Countries

- * Mr. Chin, Deputy Professor of Taiwan Political Science University (Jul. 29)
- * Ms. Kim Siwuel, Associate Professor of Konkuk University (Aug. 6)
- * Mr. Jang Soo Tae, Director of Jurisprudence, Consumer Law Improvement Division, Korea Consumer Protection Board (Aug. 19)