

Trends in Consumer Issues

The Diet Establishes a Bill against Loan Sharks

On July 17, 2003, the Lower House plenary session passed a bill against rampant loan sharks (Moneylending Control Law) and a bill to revise the Investment Deposit and Interest Rate Law. The bill is scheduled for consideration by the House of Councilors, established at this Diet session (the 156th ordinary diet session), and to be implemented in January 2004.

The main contents of the bill to be established at this session are as follows:

- The bill prohibits advertising and solicitation by unregistered agents and fines violators up to 1 million yen.
- The bill prohibits explanations and details of loan conditions which differ significantly from those indicated at the time of solicitation. The bill sentences violators to up to one year in prison or a fine of up to 3 million yen.
- The bill prohibits creditors from transferring their receivables to gangsters or similar entities. The bill sentences violators to up to one year in prison or up to 3 million yen.
- The bill obligates moneylenders to assign a chief moneylender.
- Any contract stipulating an annual interest rate of more than 109.5% (or 109.8% in leap year) will be rendered invalid.
- The bill increases the penalty clause incurred by excessive-interest contracts from the current "up to three years in prison or a fine of up to 3 million yen" to "up to five years or up to 10 million yen respectively" (up to 30 million yen in the case of legal entities).
- The bill increases the penalty clause for unregistered sales from the current "up to three years in prison or a fine of up to 3 million yen" to "up to five years or up to 10 million yen respectively" (up to 100 million yen for legal entities).
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- The bill increases the registration and license tax for moneylenders from the current 90,000 yen to 150,000 yen.
- The bill will be implemented within six months after it is promulgated. The reinforcement of the penalty clauses and the prohibition of advertising for unregistered operations will be implemented within one month.
- The revised Moneylending Control Law will be subject to the mandatory review three years after implementation.

Many of the loan-shark problems are related to the loan sharks' means of collection. The Moneylending Control Law, to be revised in this session, will therefore regulate the means of money collection as described below.

Telephoning, faxing and/or visiting the debtor(s) in person at hours considered inappropriate according to conventional wisdom.

Telephoning, faxing and/or visiting the workplace(s) of the debtor(s) or places other than their homes.

Disclosing to any person other than the debtors the fact that they borrowed the money or facts about their private lives.

Unreasonably requiring the debtors to obtain loans from other moneylenders.

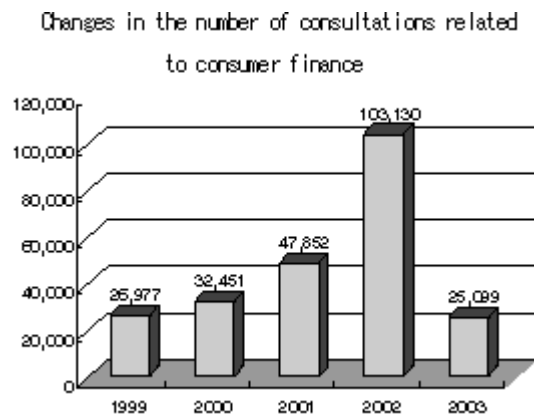
Unreasonably requiring persons other than

the debtors to repay the debts.

Requiring the debtors to repay the debts directly in person even though the debtors commissioned the processing of the debts to a lawyer or similar entity.

Such clarification of prohibited means of money collection is expected to facilitate police identification of the loan sharks. However, there are reportedly nearly 10,000 loan sharks nationwide. Effective crackdown requires not only the recent revision of laws but also the reinforcement of police and administrative resources involved in the crackdown.

Consultations related to consumer finance have been increasing rapidly since fiscal year 2002, which saw more than twice the number of consultations compared to the previous year [according to the data from the PIO-NET (Practical living Information Online NETWORK) as of July 24, 2003]. The figure shows the changes in the number of consultations since fiscal year 1999.



Many of the consumers in such trouble seem to have somehow incurred multiple debts and subsequently become involved with loan sharks following . In that respect, too, one can safely say that consultations related to consumer finance will be more likely to get involved with loan sharks.

With the recent establishment of the bills cracking down on loan sharks, we aim to eliminate malicious loan sharks.

Activities of the NCAC

Product Testing

Safety of electric scooters

Consultations on electric scooters registered on

PIO-NET include those , such as "When I was driving it, its front wheel suddenly locked and I almost fell off." The National Consumer Affairs Center of Japan (NCAC) then tested the four brands of electric scooter sold under the slogan "They can run on public roads." Among the main test points were:

- (1) the mounting or otherwise of brakes, headlight, and rear view mirrors detailed in the Road Trucking Vehicle Law;
- (2) whether the various components were appropriate; and
- (3) driving stability. The test revealed the following:
 - The brakes and related components were generally of poor quality or insufficient in number.
 - The two brands cause positional difficulties meaning the riders find it hard to view behind them using the rear view mirrors.
 - No brand came with a headlight that could be left on all the time.
 - Some brands became unstable during motion because the wheels were too small or the handle was too narrow. Some brands revealed friction between the underside and the ground when traversing steps of some kind.
 - Some brands had problems, such as screws falling off during the test.

According to the results of the aforementioned test, the NCAC issued the following consumer advice:

Please note, despite the slogan "They can run on public roads," some brands of scooter actually cannot.

Please note driving an electric scooter which does not comply with the legal requirements for public road vehicles will incur penalties.

If you wish to operate an electric scooter on public roads, you need to: (1) obtain a license plate, (2) pay the car tax, (3) obtain a driver's license for motorized bicycles and subscribe to automobile general liability insurance.



Safety of IH cooking heaters

Induction heating (IH) cookers, with which you can cook magnetically, do not use fire and are thus very popular as "a particularly safe cooking device." However, PIO-NET has had complaints, admittedly few, regarding electromagnetic cookers. They include some safety-related issues, such as "it produced smoke and fire when I was frying some food" and "I wonder if electromagnetic waves produced by this product are safe for the human body." The NCAC then conducted a test on the safety of IH cooking heaters and the electromagnetic waves produced. Here is a summary of the test results:

When cooking with an IH cooking heater, you should use the pot supplied with it.

When frying food, you should only use the appropriate amount of oil.

If you use a pot other than that supplied with the heater, or if the amount of oil is inappropriate, it may produce smoke or fire.

The intensity of the electromagnetic waves was within the guideline value set by the International Commission on Non-Ionizing Radiation Protection (ICNIRP).

After cooking, the top of the heater retains the heat of the heated pot and through other causes, thus remaining significantly hot.

Accident-prevention safety methods incorporate various imaginative ideas, thus proving effective in preventing abnormal overheating and inadvertently leaving the cooker on.

In response to the above results, the NCAC gave advice to consumers to ensure safe use.

Surveys and Studies

Children getting burned through monitoring of injury details

The NCAC has been collating information on injuries from its 20 affiliated hospitals throughout the country. In this project, the NCAC decided to analyze the burns suffered by children aged zero to nine years who received hospital treatment during the past six years and to then alert the consumers.

The center received 6,361 reports from fiscal year 1997 to 2002. Of these, children's burns represented 3,023 or 47.5%, namely almost half the overall total. Above all, children aged up to one year old accounted for over half of all incidents. Of the burned children, 90% needed hospital treatment. The locations where children were most liable to be burned were the living room and kitchen. The times with the highest incidences of accidents were before, during or after mealtime. The causes of such burns included miso soup, noodles, stew, and other cooked foods along with stoves, electric jar pots and other familiar products. Some cases involved children getting burned with coffee or stew and requiring long hospitalization and children touching the steam from a rice cooker or electric jar pot, incurring serious burns requiring surgical operations.

Many of the accidents involving burned children occurred in the homes, involving familiar products. Since children are physically smaller than adults, their burns cover a wider range. Moreover, they have thinner skin, thus increasing the probability of serious symptoms. The NCAC advised consumers that parents and guardians could protect their children from burns if they had information about potential accidents.

Surveys and studies on consumer abuse and the protection of those people with intellectual or mental disabilities or elderly people with senile dementia

Consultations regarding consumer abuse in the case of those people with intellectual or mental disabilities or elderly people with senile dementia are increasing rapidly. PIO-NET data indicates that the number of consultations involving such categories reached 5,336 in fiscal year 2001, around 2.6 times the amount in fiscal 1997. The total number of consultations registered on PIO-NET rose 1.6fold, indicating the rapidly increasing amount of abuse of people with intellectual and other disabilities.

Consultations involving abuse of people with intellectual or mental disabilities or elderly people with senile dementia represented around

22,000 listings on PIO-NET from April 1997 through the end of January 2003. Since many elderly women represented one-person households, women in the 70s seem particularly liable to abuse.

Abuse of those with intellectual or mental disabilities involve cases where their pension money and allowances are targeted. Some business operators sell accessories, futons, and other products or force the same consumers to make multiple contracts while being aware of the consumers' disabilities. Abuse of elderly people with senile dementia include some cases where the victims are not even aware that they have made contracts. There are growing numbers of cases where such cases are noticed by family members of the victimized elderly people or by their home help.

To avoid such abuse , the NCAC presented the following challenges:

- Providing experts on consumer issues and other daily life issues in each region
- Creating a safety net suitable for society where consumers select and complete contracts on nursing care and welfare services
- Reviewing the adult guardianship system.

Home accidents involving elderly people based on the injury information system

The NCAC analyzed information regarding home accidents involving elderly people aged 65 years and over, between fiscal year 1997 and 2002. The analysis revealed that people become more prone to various home accidents with increasing age.

The injury information system has 4,176 home accidents data involving elderly people for the past six years. The accidents included light injuries accounting for 76.8%, those of medium severity at 19.7%, serious ones at 2.4% (100 cases), and deaths in 1.1% of individuals (46 cases). Cases involving people aged 65 and over revealed an increased percentage of serious symptoms compared to those aged under 65. Those aged 75 and over had higher percentages of serious symptoms than those aged between 65 and 75. Elderly people had a higher incidence of bone fracture than people aged less than 65. The incidence of bone fractures increased in proportion to increasing age. An analysis of the victims' characteristics indicated around twice the number of women as men.

The greatest cause of such injuries was the stairs, followed by doors, pillars, thresholds, bathrooms, stepladders, ladders, and floors. As

the victims got older, a higher percentage of injuries were due to housing components rather than familiar domestic appliances. Deaths involving elderly people included burns caused by burning clothes worn by the victims, drowning in bathrooms, and asphyxiation caused by food blocking the throat.

The NCAC gave advice to prevent consumer accidents at homes.

- Eliminating stairs, thresholds and other level differences, installing handrails and bright lamps, and/or taking other measures to prevent falling and dropping accidents.
- Using flame-resistant clothes rather than those shaped so as to be considerably liable to fire helping to prevent accidents involving burning clothing worn by the victims.

Surveys and studies in the restitution of consumers having been subject to abuse by the administrations of the USA, UK, and South Korea

Post-deregulation consumer administration is the subject of much debate. The consumer private law is still insufficient and there remain cost-related limitations on the consumer damages recoverable by judicial means, especially in many cases involving minor sums of damages. Measures to resolve such situations after the incidents are therefore important for administrations, even following deregulation.

The NCAC surveyed the restitution of consumers operated by the administrations in the USA, UK, and South Korea, which are the earliest deregulators. Here is an overview of the survey findings:

- In the USA, consumer damage considered to affect public benefits is recovered via "fatherhood lawsuits," where the administration files a claim for civil damages compensation on behalf of the victimized consumers.
- In the UK, a well-developed electronic information system is available in database form to support the processing of consultations. Consultants can search for appropriate procedures for processing consultations and relevant laws.
- In South Korea, the Korean Consumer Protection Board plays an important role, resolving consumer abuse in a positive way.

Based on the survey findings, the NCAC

summarized the cases applicable to Japan as follows:

- In Japan, efforts are made to establish a positive consultation system on a municipal level. The electronic information system in the UK therefore provides a good model..
- In attempting to establish an effective consultation system, the standards for consumer damage compensation in South Korea provide a good model.
- The introduction of a civil remedy system by the administration is worth considering.

Pet insurance: A service to fund the medical expenses of pets in case of illness or injury.

In recent years, growing numbers of people keep pets (or animal companions). However, when a pet falls ill, the owner of the pet must bear all the expenses for the medical treatment. The high medical expenses for pets are one of the problems facing their owners. PIO-NET records many inquiries such as "What is pet insurance?" The NCAC therefore conducted a survey to provide useful information for consumers considering using pet insurance.

Now, there appear to be more than 20 pet insurance companies, all of which are only a few years old. We are even unsure as to whether all this number remain in business. Pet insurance seems to have achieved penetration in less than 1% of pet owners, but consumers' interest is growing.

Pet insurance falls into two categories: the category in which a discount is granted on the charges at the time of payment when the owner goes to an animal hospital, and the category where the insurance company examines the expense details and medical report issued by the animal hospital and pays benefits to the insurance policy holder. Pets for which insurance can be provided usually include dogs and cats. The ages at which subscription for such pets can be made often range from the age of pet vaccination to middle- or old age of the pet. Insurance covers hospitalization, hospital visits and surgical operations. Insurance does not cover birth control, castration or any other operation conducted on a sound body. There are some exclusions, such as congenital abnormality and previous diseases. The monthly premium ranges from approximately 2,000 to 5,000 yen.

The problem with pet insurance is that it is not administered by companies licensed under the insurance business law but largely by mutual relief systems from undesignated associations

or entities not subject to governing laws . No organization therefore currently exists for protecting the insurance policy holders or the supervising authorities.

The NCAC advises the consumers to verify the subscription conditions, exclusions, and other matters related to pet insurance thoroughly.

An overview of consultations related to malicious fictional bills and requirements by the NCAC

Consultations relating to fictional bills requesting consumers to pay for products not purchased or unused services not used or "fictional bills" are rapidly increasing.

The number of consultations relating to "fictional bills" registered on PIO-NET numbered 1,404 in fiscal year 2001, and quickly increased to 16,613 in fiscal year 2002.

Bills are delivered by letter, postcard, email, telegram, and various other means. Bills state notices such as "We are a debt-collecting company who has been authorized to collect your debts. Please contact us immediately to arrange repayment." Telegrams seem to be designed particularly to agitate recipients, taking advantage of the fact that they have become unfamiliar now that various media have developed. Some notices in the bills are threatening meaning that some recipients become afraid and pay the billed amount.

The NCAC requested the Japanese Bankers Association to take some measures to prevent such trouble by exchanging information about potential abuse of bank accounts, based on the fact that some bank accounts are abused in the "fictional bills."

The NCAC then advised the consumers to do the following:

- If they are unsure whether the bills they received are lawful or not, they should consult a consumer center or the police before contacting or paying the billing party.
- If they do not remember having purchased anything billed to them, they are not obligated to pay. They should not pay the bill.
- If they contact the billing party, the billing party may ask for the consumers' private information (such as phone numbers and mail addresses). They may then issue further bills based on that information. If the bill is suspicious, they should not contact the billing party carelessly.

Visitors from Foreign Countries

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