

# NCAC NEWS

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## ◇Trends in Consumer Issues

### *2004's top ten issues in consumer consultations*

NCAC has collated and announced the top ten consumer issues among those for which we received numerous complaints during the period January–October 2004 and which were the focus of the general public's attention.

#### 1. 60 percent increase in consumer consultation cases

The number of consumer consultation cases has been rising every year, reaching 1.15 million cases during the period of January–October, 2004. It rose 60 percent over the same period a year ago, and those concerning the provision of service accounted for over 80 percent of the total of consultation cases.

#### 2. Consultation cases involving fictitious bills skyrocketing

Consultation cases involving fictitious bills during the period of January–October 2004 exceeded 430,000 cases. Their tricks are becoming increasingly skillful and devious, often exploiting judicial payment reminders or small-sum judicial actions. Consequently, NCAC announced the names of the top 30 businesses based on the number of consultation cases concerning bogus billings.

#### 3. Consultations on personal information on the rise

Consultations on personal information continue to grow. Those especially rising involve cases where salesmen entice consumers, who previously signed up for qualification courses, and tout a new contract by promising them they will cancel their old contracts, or demanding cancellation charges.

#### 4. Consultations on flagrant door-to-door salespeople reaching a peak

Troubles featuring door-to-door salespeople soliciting customers while hiding the true sales purposes are now increasingly being reported. The common point among such door-to-door sales troubles is the mid-course cancellations of contracts for high-priced learning materials, which consumers purchased, following recommendations of their suitability for private cram schools. In April 2004, the specific commercial transaction law was amended, adding new penal provisions.

#### 5. Enormous increases in consultations concerning foreign exchange marginal transactions

During the period of January–October 2004, consultation cases involving foreign exchange marginal transactions showed a three-fold increase over the same period a year ago. Since April 2004, foreign exchange marginal transactions have been

designated as financial commodities subject to the financial instruments sales law and the revised financial futures transaction law has clarified the accountability for important matters and prohibited and unsolicited sales canvassing.

#### 6. Troubles with "secondary damage" on the increase

Troubles concerning so-called "secondary damage" have been on the increase in the recent years. The number of consultations from people having signed up for membership services promising special privileges at eating and drinking establishments and later charged with cancellation fees, etc., increased by 40 percent in the January–October 2004 period over that of the previous year.

#### 7. Troubles with illegal loan sharking and consumer financing mushrooming

The majority of consultation cases involving illegal loans and consumer financing came from heavy debtors, who borrowed money from a multitude of consumer financing companies and were unable to repay the sums owing. With respect to "illegal loan sharking", charging interest rates above the legally permissible level, the so-called "law against illegal consumer financing" was fully implemented in January 2004.

#### 8. Rising inquiries concerning key money for rental housing

The main consultation cases about rental housing key money concern troubles with the refund amount of the key money and restoration of the original state when the renter vacates the rental housing. In February 2004, the Ministry of Land, Infrastructure and Transport revised its "troubles and guidelines for restoring the original state."

#### 9. Consultations about cars at a high level as automobile recalls rising

The number of complaints and reports concerning automobiles and their safety, filed at local consumer centers nationwide in the period of January–October 2004, remains at a high level and on a par with that of last year. Automobiles account for one third of all reports concerning danger.

#### 10. Consumer Affairs Fundamental Act enacted

The Consumer Protection Fundamental Act was revised and, additionally, a new Consumer Affairs Fundamental Act was enacted and implemented. Concerning the National Consumer Affairs Center of Japan (NCAC), the new law prescribes it as playing a positive role as a core institution for consumer protection.

## ◇Activities of the NCAC

### —Surveys and Studies—

#### *Used car sales troubles*

Used cars, even though potentially of the same model, differ in terms of price and quality and have product characteristics, which differ from those of brand-new cars. Accordingly, car buyers find it difficult to evaluate their quality, often leading to troubles after the purchase. The number of consultation cases concerning used car troubles filed at local consumer centers and the NCAC reached 5,582 cases in fiscal 2003. The figure accounted for half of the consultation cases involving automobiles, making it the most representative case of automobile troubles.



In view of this situation, the NCAC has analyzed the cases filed at its office and obtained the following results:

- ①When defects are found in used cars that were sold "without warranty," some used car dealers refused to address them, in spite of the defect liability.
- ②Some used car dealers falsified the car mileage or sold the used cars, knowing their mileage had been rolled back elsewhere.
- ③Although there were cases where dealers sold the cars unaware of the mileage rollback, they skirt around their responsibilities, creating troubles with the buyers.
- ④There were dealers who sold used cars without showing the used-car repair history.
- ⑤Both consumers and dealers had a lack of knowledge about the "contract completion date", as specified in the industry's covenant. This made canceling of the contracts problematic.
- ⑥Among industry outsiders, some dealers charged unjustified, exorbitant cancellation fees.

With the results in hand, the NCAC issued the following advice to consumers:

- ①Make every effort to check the car beforehand and do not to rush into signing the contract.
- ②Be aware of your responsibilities as a party to the contract.
- ③In the event of any trouble, contact the local consumer centers as soon as possible.

Based on the results of our analysis, the NCAC asked used-car dealers to address the following issues:

- ①Industry outsiders should sign the automobile fair competition rule.
- ②The industry associations should make further efforts to ensure their member companies take precautionary measures to prevent consumer troubles.

#### *Current state of fictitious billing and requests to the authorities concerned*

Both the local consumer centers and the NCAC have been flooded with consumer inquiries involving

phony phone charges. In fiscal year 2003, they exceeded 460,000 cases and the pace shows no signs of slowing yet.

Recently, bills for fictitious phone charges show only the contact telephone numbers, and many of their tricks are intended to have phone subscribers call back the numbers. Additionally, their tricks are becoming more skillful and devious as the bills fail to show the details of charges, through the use of fictitious laws or public institutions.



As one of the countermeasures to this problem, the NCAC has made renewed efforts to inform consumers by displaying the names of businesses involved in fictitious phone bills registered in the PIO-NET (Practical Information Online NETWORK) on our web site, as well as information concerning the names of businesses involved that were sent to us. At the same time, the NCAC compiled another report concerning the current status of bogus billing schemes, provided the institutions concerned with information and requested them to implement the following measures:

- ①Requests to the Ministry of Internal Affairs and Communications (Consumer Administration Division, Telecommunication Business Department, Telecommunication Infrastructure Bureau)

To counter bogus billing schemes by abusing telephones, guidelines for stoppage of phone lines and compulsory cancellations should be established.

- ②Request to the Telecommunications Carriers Association

To gain a true picture of the telephone numbers used for bogus billing and to implement appropriate measures including stoppage of the phones lines involved. In order to prevent crimes committed by means of mobile phones, the association should call on their members to ensure that they confirm phone buyer's identity more strictly.

- ③Providing information to the National Police Agency (Living and Economic Measure Office, Living Environment Division, Community Safety Bureau), the Ministry of Internal Affairs and Communications and the Telecommunications Carriers Association

To prevent any damages caused by bogus phone billing, the association should periodically provide information concerning the names and addresses of businesses identified in the consultation cases filed to the NCAC.

#### *Rising cases of eye inflammations and eyelid rashes caused by "eyelash-perms" on the increase!*

Since fiscal 1999, cases of mishaps involving eye inflammations and eyelid rashes caused by "eyelash-perms" have been increasing, with the number of cases now expanding even more. One victim of such an eyelash perm confided it took more than a month



to cure the resultant eye inflammation.

In response to the rising number of mishaps involving eyelash-perms, the NCAC has studied them and compiled the following report:

- ① Analysis of the mishap cases
- ② Investigation of the ingredients of "eyelash-perm solutions" in use
- ③ Summarizing the moot points for perm solutions used for eyelashes

The results of our investigation are as follows:

- Most of the cases occur at aesthetic salons.
- Victims are mainly women in their twenties.
- About 50 percent of mishaps occur on the eyelashes.
- The cases show damages to the eyes take longer in terms of treatment in comparison to other parts.
- Among the cases, "permanent wave solutions" for head hair (hereafter "hair perm solutions"), which are quasi drugs, were used for the eyelashes.
- The Ministry of Health, Labour and Welfare notes that if an "eyelash perm solution" containing similar ingredients to a "hair perm solution" is either produced or imported, it is subject to regulations under the "medicine act" and it falls under the category requiring approval and permission." However, the only substances approved by the ministry to date are "hair perm solutions," with no "eyelash perm solutions" currently receiving approval.
- Since the four "eyelash perm solution" brands we tested are within the quality standards of the "hair perm solution," namely a quasi drug, their ingredients were found to be almost equivalent to those of the "hair perm solution."
- With health concerns in mind, it is questionable to use substances almost identical to "hair perm solutions" for use on the eyelashes.
- Using the "hair perm solution" for the eyelashes represents unauthorized usage, a departure from the conditions of approval as specified under the medicine act .
- Judging from the descriptive labels of the tested brands, we suspect aestheticians may find it difficult to gain quality information on "eyelash perm solutions" or their safety.

Based on the results of our findings, the NCAC has requested the Ministry of Health, Labour and Welfare and industry associations to improve the situation. The NCAC also provided the information on findings to the Ministry of Economy, Trade and Industry and the Fair Trade Commission.

#### *Continued consultation cases on "on-the-side job using a PC"*

Businesses who offer "on-the-side job using a PC" typically recruit such job seekers by promising them the opportunity to work at their home creating homepages or inputting data with their PCs. However, this actually represents a sales transaction of materials touted as necessary for their work.

According to the specific commercial transaction law, this practice, dubbed "sales transactions

through job offers," has been regulated since June 1, 2001. However, the number of consultation cases concerning "on-the-side job using a PC" reported to the NCAC continues to climb.

When the consultations cases were analyzed, salesmen had guaranteed monthly revenues or emphasized easy profits. However, in reality, counselors complain that the level of revenues as promised in their sales talks is unattainable, or the tests are too difficult to qualify for the term "part time work". There are also cases where the true purposes of salesmen, enticing job seekers with the promise of part time work, could be construed as the sale of merchandise. In fiscal year 2003, consultations concerning the bankruptcies of such dealers accounted for more than 40 percent of the consultations concerning "on-the-side job using a PC," bringing credit companies' evaluation and management on their member stores into question.

The number of consultation cases reported to the PIO-NET (Practical Information Online NETWORK) totaled 18,968 cases in the period of fiscal 2001-2003, and 7,700 in fiscal 2003 alone, up more than 10 percent over the previous year.

Telemarketing sales account for about 80 percent of their sales methods and payment is chiefly made by credit cards. Roughly 80 percent of the contracting parties are women in their 20s and 30s.

The NCAC has issued consumers the following advice:

- Avoid any contract that requires you to make payment before working.
- Do not believe the sales talks that describe the examination as easy.
- Read the pamphlets and contract details carefully and confirm wages.
- Do not sign any contract that differs from the contractual details required for a credit card contract.
- When you become aware of any troubles, please contact local consumer centers.

#### *Preventing consumer troubles involving cosmetic medicine*

Cosmetic medicine is now actively advertised in magazines, and consumers' needs for it will increase accordingly. However, when adequate information is not provided at the time of contracting and proper consumer contracts are not exchanged, damage to consumers is bound to surge.

The NCAC, therefore, has investigated and analyzed the consultation cases concerning "cosmetic medicine," discussing moot points and measures to prevent consumers from suffering from the consequences of cosmetic medicine and drawing up the following advice and checklist:

- Moot points from the contents of the consultations
  - (1) More than half of the consultations concern contracts between consumers and medical institutions and their cancellations.
  - (2) More than half of the consultations concern service quality.
  - (3) Consultations about advertisements are high in comparison to "other medical services."



- Moot points of magazine advertisements
  - (1) "Cosmetic medicine" advertisements are mostly placed in magazines related to "cosmetic medicine."
  - (2) Despite the extensive contents of the advertisements, information helping consumers make decisions is limited.
  - (3) Many advertisements emphasize the merits of cosmetic medicine.
  - (4) Many advertisements tout affordable fees, but the actual amount described in the contracts is different.

To prevent damage due to "cosmetic medicine," the following two points are important.

- (1) The related institutions should address this issue in a comprehensive manner by ensuring that both doctors and medical institutions provide consumers with the necessary information concerning the "limits and risks of the medical technologies," "side-effects" and "total fees" so that consumers are able to make their decisions freely.
- (2) Consumers, as parties to the contracts, should collate information themselves and use this to make cool decisions.

The NCAC has requested the government and related organizations to tackle the issue. At the same time, we issued the following advice to consumers:

- Since cosmetic medicine is a medical service which consumers can freely choose, they should gather relevant information beforehand.
- As "cosmetic medicine" involves risks, consumers should confirm the potential risks involved with doctors beforehand.
- Sign the contract with discretion, referring to the checklist of the report.
- Preoperative check-ups and postoperative care should be observed.
- Memos and materials should be well organized and kept.

***Moot points of damage to consumers caused by electric medical treatment equipment in household use***

The "electric medical treatment equipment for household use" using domestic electricity falls under the category of a medical device under the medicine act. Consequently, its production and sales or statements concerning its effectiveness are restricted under the same act and the code of fair practice concerning the advertising of drug and related products. There were various cases reported

in the PIO-NET where a variety of sales talks touting the ability to "recover from illness" or its "effectiveness against illness" were used.

In view of this, the NCAC analyzed the consultation cases concerning "electric medical treatment equipment for household use" and searched for relevant issues concerning such sales talks. At the same time, in order to prevent any damage caused by the equipment and its distribution, we requested the related institutions to take the necessary measures.

The local consumer centers across Japan receive about 5,000 inquiries concerning "electric medical treatment equipment for household use" each year, and most of the counselors are women and the elderly.

Some of the sales talks include the followings:

- Those that note the equipment "cures a disease."
- Those that assure its effectiveness.
- Those that could encourage its abuse.
- Those that leave the false notion that it is somehow approved or recommended by pharmaceutical and medical organizations.
- Those that recommend stopping consumption of drugs.

There was a questionable case where the equipment was sold to people already affected by disease and for whom it was unsuitable. Additionally, among consultations concerning the equipment, some counselors complained of skin damage.

Based on the above analysis, NCAC requested the businesses to improve the following points:

- Not to use sales gimmicks that are illegal under relevant laws and may give false impressions to consumers
- Not to sell unsuitable equipment to people with previous diseases or allowing such people to try it before purchasing

The NCAC also requested the related authorities to improve the following point.

- They should coordinate with the related authorities to ensure that consumers are not victimized through sales talks and gimmicks, which are questionable under the medicine act, the code of fair practices in the advertising of drug and related products and other related laws.

**—Visitors from Foreign Countries—**

☆Embassy of India, Minister(Economic & Commercial)  
Mr. A. K. Thakur and First secretary(Commercial) Mr.  
B. P. Pande (Dec 9th)