

## ◇Trends in Consumer Issues

*Current Status of "Phishing Fraud" in Japan*

Phishing is a fraudulent act involving theft of your money by getting you to transmit or enter personal information such as your name, address, bank account and credit card Nos., ID, password, etc. through an e-mail message purporting to be from a legitimate bank or online merchant.

Phishing fraud is causing serious damage in many countries, including the U.S., where public institutions are now alerting the general public in order to prevent such cases and private organizations, including consumer groups, are also taking diversified actions with the same objective. In addition, plural industry organizations designed to counter phishing fraud are being established.

In contrast, the following types of phishing fraud cases have been confirmed in Japan:

- Return-e-mail type: A method of stealing personal information where the phishing attacker receives the victim's e-mail message containing personal information without redirecting the latter to a bogus website.
- Website-inducing type: A method of enticing the e-mail receiver to access a bogus website and then stealing their personal information from using the site.

However, as of 2004, most phishing e-mails and web sites confirmed in Japan were written in English and the damage was considered limited, despite the upward trend in such cases.

In order for consumers to understand the nature of phishing schemes before their damage spreads nationwide, the NCAC offered information in November 2004 concerning the characteristics of such attacks and the related domestic and overseas situations and gave the consumers advice concerning action.

However, despite the publicity concerning phishing, ever-growing numbers of such e-mails and web sites were found, followed eventually by the confirmed discovery of elaborate phishing e-mails and web sites in Japanese. Moreover, immediately after the NCAC November 2004 warning, the media reported the first case of phishing fraud involving several hundred thousand yen in Japan. During the period of September through October 2004, the forgery of credit cards through phishing and their fraudulent usage were found later. The total damage from such counterfeit credit cards is said to be 1.5 million yen.

Although the NCAC has received few consultations to date concerning phishing schemes, the increased risk of such schemes spreading in Japan is undeniable. Under these circumstances, business enterprises,

including financial institutions, are cautioning the public concerning phishing fraud affecting their web sites.

Governmental agencies have also acted to restrict the damage from phishing. The Ministry of Economy, Trade and Industry has already held three "Anti-Phishing E-Mail Liaison Conferences" since December 2004. During the meetings, the administrative agencies along with businesses and related organizations discussed the current situation concerning phishing fraud and the best way to create a structure calling public attention to the problem. The Ministry of Internal Affairs and Communications, meanwhile, has also held a meeting entitled "Counter-Phishing Measures Promotion Liaison Meeting." Both meetings were held for the following purposes:

- To comprehend and analyze the current picture of the phishing fraud issue and discuss how best to attract consumers' attention and apply techniques geared to restrict phishing schemes
- To share information concerning phishing schemes

A "Counter-Phishing Conference" will be established from March 2005, which will further discuss damage limitation measures aimed at combating phishing fraud as well as the creation of a database indicating the extent of damage. The NCAC intends to participate in this conference as an observer.

It is henceforth hoped that based on discussion and the results of these meetings, administrative agencies and businesses will collaborate and implement a range of actions to head off the damage caused by phishing fraud.

## ◇Activities of the NCAC

## —Product Testing—

*Performance of Anti-Crime Window panes and films*

As one of the burglary techniques used in house breaking, "window-smashing" is now on the increase. Popular deterrents thereto would appear to be either replacing the regular windowpane with one of an anti-crime variety or pasting an anti-crime film on the pane.

The NCAC has surveyed the security performance of window panes by conducting tests on anti-crime windowpanes and float plate glass and regular glass panes pasted up with anti-crime films respectively. We obtained the following results:

- The regular glass window with a two-point locking system composed of crescent window and auxiliary

locks did not provide an adequate security performance.

- The anti-crime glass, which is registered as a "crime-prevention building component" (CP-registered), did not provide sufficient security performance unless fitted with the crescent and auxiliary locks.
- The security performance of the anti-crime film was higher when it was pasted onto the entire glass area. However, a CP-registered anti-crime film came off the glass during testing.
- The CP-registered anti-crime glass was found to offer better security performance when used with a CP-registered metal sash window.
- The anti-crime glass and film pasted over the entire area of the glass demonstrated excellent shatter-resistant performances.

Based on the above results, the NCAC issued the following advice to consumers:

- A regular glass window with a two-point locking system composed of a crescent window lock and an auxiliary lock was found to provide insufficient security performance.
- The CP-registered anti-crime glass will only demonstrate satisfactory security performance when used with crescent and auxiliary locks.
- The anti-crime film enhances security performance when pasted over the entire glass area rather than simply being partially pasted.
- Given the ability of the CP-registered anti-crime glass to improve security performance when used for a CP-registered metal sash window, the consumers should consult with the contractor concerning its particulars.
- Given the propensity of the security performance of CP-registered anti-crime glass and films to increase in proportion to their price, the consumers should select them while taking the location of usage into consideration.
- When purchasing building components, the consumers should make a choice following sufficient consideration of burglary-prone areas of the house, such as windows and doors.

Additionally, the NCAC made the following requests to the industry:

- Both the glass and window sash industries should cooperate in developing and distributing products with a high crime-prevention capability.
- In order to promote anti-crime glass and films, industries should make further efforts to reduce prices.
- As one variety of CP-registered anti-crime film came off the glass during our testing, film manufacturers should improve this point.

With respect to the CP-registered anti-crime film that peeled off the glass during our testing, the NCAC requested that the ministry concerned provide appropriate instruction.

Based on the NCAC test results and requests, three governmental agencies—the National Police Agency, and the Land and Transport and Economy, Trade and Industry

Ministries—have provided information, including the name of the film maker involved, to draw the public's attention thereto.

#### —Surveys and Studies—

#### *An overview of trends of consumer consultations and lawsuits concerning product-related accidents Nine years following the Product Liability Law came into effect*

The NCAC, in an attempt to gain an overview of the extent of acceptance for the Product Liability Law, has surveyed the number of consultations involving product-related accidents recorded in the Practical Information Online NETWORK (PIO-NET), and compiled a report of the survey results covering the nine years since the act went into force. Additionally, the NCAC prepared a report concerning the trends in lawsuits related to the Product Liability Law.

#### 1. Trends of Consumer Consultations relating to Product-Related Accidents

In fiscal year 2003, there were 8,045 consultations concerning product-related accidents and 5,086 consultations involving extensive damage. Of this total, those involving extensive physical damage amounted to 4,154, while 810 involved property damage. Consultations involving both physical and property damage, meanwhile, numbered 99.

With regard to the number of consultations involving extensive physical damage caused by merchandise, "health food" was at the top of the list, and in the case of health hazard, the top problem was "skin damage." Concerning the number of consultations involving extensive property damage caused by merchandise, "ventilation, air-conditioning and heating equipment" topped the list, whereas in the damage category, "ignition and fires" were the number one culprits.

#### 2. Trends of lawsuits related to the Product Liability Law

There were 58 lawsuits brought to court under the Product Liability Law by September 1, 2004, of which seven had been taken to the court since 2003.

#### *An Overview of the number of consumer consultations and trials related to the Consumer Contract Law Three years since the act came into effect*

The NCAC has prepared an overview of the number of consumer consultations and trials under the Consumer Contract Law; three years after the act went into force.

#### 1. Consumer consultations related to the Consumer Contract Law

The number of consumer consultations related to the Consumer Contract Law and received by the NCAC and local consumer centers nationwide totaled 5,167 during the period of April 1, 2001 through March 31,

2004. Of these, cases related to Article 4 of the law, stipulating the details of contract conclusion, numbered 4,410 cases (85.3%). Consultations related to Articles 8 through 10 of the law, meanwhile, governing unfair contractual conditions, amounted to 715 (13.8%).

When consultations concerning Article 4 are analyzed, those related to "incorrect representation" were largest with 2,593 cases, followed by those related to "confinement" (obstruction of departure) with 929 cases.

## 2. An overview of trials under the Consumer Contract Law

Among the Consumer Contract Law-related lawsuits, for which the NCAC collected information, those for which judgments were rendered numbered 46 by August 31, 2004.

The majority of the judgments are concerned with unjust contract conditions, and those involving the reimbursement of college admission fees in particular proliferated. Concerning the refund of security deposits, a judgment was passed declaring the practice of having the tenant bear the cost of natural wear and tear null and void under Article 10 of the law.

With respect to judgments related to Article 4, there were two such cases; cancellations based on misunderstanding and those based on embarrassment.

### *"New tricks" to bill fictitious, unjustified charges for matchmaking sites*

Tricks to demand fictitious and unjustified charges for matchmaking sites change from day to day. The NCAC has provided information concerning the new means of requesting fictitious, unjustified charges for such sites and issued advice to the public.

#### 1. Tricks used to bill for fictitious, unjustified charges using legal procedures

The NCAC has been receiving consultations involving fictions and unjustified billing cases where scammers take advantage of court procedures and send the consumers forged payment demands purporting to be bills for accessing dating or adult sites.

##### ●Abusing payment demands

The payment demand means the creditor appealing to the summary court and is a system of ordering the debtor to make payment.

The NCAC has received two cases where such payment demand forms have been forged and sent to consumers and nine cases of formal appeal to the court (as of March 3, 2005).

##### ●Abusing lawsuits for small amounts

The small-amount lawsuit is the court procedure at the summary court for the purpose of claiming payment of 600,000 yen or below.

So far, the NCAC is unaware of any cases where the consuler was requested to pay charges of which they had no recollection.

The NCAC issued the following advice to consumers:

- Disregard the payment demand if you have no memory of it.
- Keep bills as proof just in case.
- When in receipt of court documents, do not leave them unattended, but confirm with the court.

- ①As scammers may forge documents that purport to be court notices and send them to you, confirm with the court or consult with a lawyer or local consumer center.
- ②In the case of a formal court notice, ignoring such may leave you at a disadvantage. Always ensure you contact the court for confirmation.
- ③When in receipt of a legitimate payment demand from the court, lodge any protest concerning the payment demand within two weeks.
- ④As a rule, the court does not send such notices by postcard, so disregard any such notice.

#### 2. Unjustified billing scams -Website operators pretend to know your personal information by showing your phone's "individual identification No."

The NCAC has been receiving complaints from mobile phone users concerning unjustified billing. Based on the consulers' complaints, when they access adult sites from their phones and click certain buttons, the display shows "your individual identification No. is 090-xxxx" as if the web operators are in possession of their personal information. The website operators then issue them a bill.

##### ●Mobile phone's "individual identification No." The following types of individual identification Nos. exist:

- ①The name and phone model of the mobile phone
- ②The ID assigned by website operators

As this information does not include personal consumer information, it is not passed to the operator. Also, the ID is assigned by the operator and is therefore unrelated to the consumer's personal information. By showing the individual identification No., the website operator seems to be attempting to convince the consumer that they are in possession of their personal information.

The NCAC issued the following advice to consumers:

- Although the individual identification No. does not reveal personal information, mobile phone users should record and save website pages and URLs in preparation for any potential future trouble.
- Do not carelessly access URLs linked to adult sites.

### *Rising incidence of trouble involving matchmaking services*

Based on the Specific Commercial Transaction Law, certain government ordinances were amended to make "matchmaking services" subject to regulations from January 1, 2004. However, despite such regulations, the number of consultations regarding matchmaking

service shows no sign of decreasing.

Before the amendment of the ordinances, typical consultations involved complaints that the "matchmaking agency does not comply with the request for cancellation or refund." However, following the amendment, many consultations relate to the "expensive cancellation charges."



Additionally, the NCAC still receives complaints that seem to involve violations of the law, since consumers complain that "they have not received contracts," or "the matchmaking agency does not refund the money."

The NCAC receives many consultations that can be categorized in the following two ways: 1) Immediately after the cancellation, the matchmaking agency returns the members' information, claiming that the service period has completed, and demands full payment of the information fee at the time of contract cancellation, and 2) where an expensive membership fee is imposed from the beginning, the matchmaking agency charges an expensive cancellation fee for cancellation shortly after the contract.

According to our dialogue with the matchmaking service industry, the chance of meeting prospective marriage partners tends to be higher in the early stages of the contract. The matchmaking agencies, therefore, acknowledge that their services, such as introducing new members, are more concentrated in this period and charges are set correspondingly higher. Judging from the consultations regarding high cancellation fees, however, explanation of such practices to the consumers cannot be deemed sufficient.

In view of the above, the NCAC has cleared up and analyzed the moot points of matchmaking service, offering information concerning matters that require special attention at time of signing the contract and making requests to the related agencies.

The number of consultations involving matchmaking service received by the NCAC has been on the rise. In fiscal year 2004, there were 779 consultations during the period of April through September, a small increase over the same period last year and prior to the amendment (744 consultations).

NCAC issued the following advice:

- ① Do not contract with any matchmaking agency that does not hand you a contract as required by law.
- ② Check the services to be offered and the fee structure.
- ③ Do not expect too much.
- ④ Be careful of how your personal information is

handled.

- ⑤ In the event of any trouble, consult with a local consumer center.

***Trouble involving membership schemes touting travel and drinking and eating establishments available at discount prices***

The number of consultations involving the "multi-service member scheme," which touts travel and eating and drinking establishments available at discount prices, rocketed from around 3,000 in fiscal year 2001 to around 9,000 in fiscal year 2003. Among them, the most noteworthy were consultations from those having previously suffered damage and became victims of "secondary damage." Although numbering about 700 in fiscal year 2001, the total rose dramatically to about 5,000 in fiscal year 2003. Consequently, the NCAC offered information concerning the examples of consultations, their moot points and countermeasures regarding the "secondary damage caused by the multi-service member scheme."

Many of the contracting parties having experienced such secondary damage from the multi-service member scheme" are males in their twenties and thirties. Their average contract purchasing amounts amounted to 760,000 yen and typical consultations received involved the operators demanding payment on the unwarranted pretext of "unpaid membership fees" or "penalties due to unused services," or forcing the members to sign a new contract. There were also cases where consumers were talked into signing a new contract on the pretext that the membership operators would cancel those of other operators or cases of totally unfounded bogus billing.

The controversial points concerning the multi-service member scheme are as follows:

- False representation such as demanding unpaid membership fees without contracts
- Operators taking advantage of memory lapses concerning details of previous contracts.
- Even members who have difficulty paying the bills are targeted.
- Abuse of personal information is also suspected.

With these moot points in hand, the NCAC issued the following advice to consumers:

- ① Take what operators say with a grain of salt.
- ② Do not pay any bills of which you have no recollection.
- ③ If forced to sign a new contract, make use of the cooling-off system.
- ④ Consult a local consumer center.