



NCAC NEWS

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◇ Consumer Affairs Climate

Revision of the Consumer Contracts Law - Introduction of a Group Litigation System -

According to the consultations on consumer affairs collected through PIO-NET (Practical living Information Online - NETWORK) operated by NCAC, around 80% of the total number of consultations involve contract-related problems that are becoming more diversified and complicated in content.

Problems related to consumer contracts are characterized by the same type of incidents of victimization occurring to a large number of people. Although individual consumers who have been victimized may receive help under the Consumer Contract Law, it is difficult to prevent the spread of the same type of incident. The most effective way to prevent the spread of consumer victimization is to introduce a system of requesting injunctions for a Consumer Association that has cleared specific conditions, against unfair business practices employed by business operators (Injunctions by Consumer Associations (hereafter, ICA)). As such, in April 2004, a committee was established to study the merits of introducing ICA into the Committee Consumer Policy of the Quality-of-Life Policy Council. Based on the results of the study by the committee, the Cabinet Office decided to insert the ICA into the Consumer Contract Law and submitted a "bill to revise a portion of the Consumer Contract Law" at the 164th ordinary diet session. The bill was passed on May 31, 2006 and promulgated on June 7. The revised law will be implemented as of June 7, 2007.

It has been requested that the ICA not only be inserted into the Consumer Contract Law but also in laws such as the Antimonopoly Law and, as such, the government currently has this matter under review.

● A Summary of the ICA

- Qualified consumer organizations who have received the authorization of the Prime Minister may request injunctions against the following acts:
 - (1) Cases in which a business operator engages in or conspires to engage in an act of solicitation stipulated in Article 4 of the Consumer Contract Law against a large number of consumers among the general public.
 - (2) Cases in which a business operator declares an intention to conclude or conspires to conclude a contract included in the contract clause stipulated in Article 8 to 10 of the Consumer Contract Law against a large number of consumers among the general public. However, barring certain exceptions, in the event that a definitive judgment is rendered for an action of injunction filed by another qualified consumer organization against a certain business operator, an injunction cannot be requested against the business operator in question for the same offense.
- A consumer organization must meet the following requirements to receive approval for providing the service of requesting injunctions:
 - (1) The organization must be a specified nonprofit corporation or charitable corporation.
 - (2) The organization shall act to protect the interest of a large number of consumers among the general public and faithfully continue to adequately carry out activities for a reasonable

period of time.

- (3) The organization shall maintain a system, financial base and business regulations in order to adequately provide services.
- (4) The organization shall have a board of directors in place as a body to properly perform operations.
- (5) The members of the board who are related to any one specific business operation shall not exceed a ratio of 3 to 1.
- (6) The members of the board who are from the same type of business shall not exceed a ratio of 2 to 1.
- (7) The organization shall have a system in place whereby a specialist is available to provide advice and expert opinion within the department which reviews requests for injunctions.

Authorization cannot be obtained for the provision of services by corporations related to organized crime groups or political corporations.

The authorization issued by the Prime Minister is effective for a period of three years starting from the date of authorization.

- When carrying out prescribed procedures related to the process of requesting injunctions, the organization shall notify other qualified consumer organizations and submit a report to the Prime Minister.
- Excluding court fees and indirect enforcement costs, qualified consumer organizations shall not receive payment in forms such as donations or otherwise from the party who sought the injunction.
- The qualified consumer organization must first request an injunction in writing against the business operator who has employed unfair business practices. Proceedings can only be launched after a week has passed since the business operator receives the written injunction.
- The organization may enter an action at the principle business place of the business operator such as its head office or branch offices and also at any court in the jurisdiction where the business operator conducted unfair business practices.
- The right to claim compensation against damages caused by the business operator was not included in the recent law revision.

Through the effective use of the new means introduced by the ICA, it is anticipated that qualified consumer organizations will be able to prevent consumer victimization and contribute greatly to the situation. NCAC plans to support the efforts of the qualified consumer organizations in the future by providing them with the necessary information.

◇ *Activities of the NCAC*

—Product Testing—

The Safety of IH Cooking Heaters

With the domestic shipping amount of IH cooking heaters (Induction heating cookers) for fiscal year 2005 at 731,000 units (119.5% of y/y levels), this product is becoming a very popular household appliance.

Recently, such IH cooking heaters have been released onto the market like those that declare compatibility with all metals such as aluminum and copper pots which could not be used before, and those that boast ingenious innovations in heating methods and temperature sensors allowing for safety in frying foods while using only a small amount of oil. However, many questions have been raised as to the performance and safety of these newest models.

Moreover, aside from the consultations registered by consumers through PIO-NET regarding the electromagnetic cooking devices such as “concerns over the effect of the electromagnetic waves” and “questions over issues of safety”, the following consultation has also been registered: “I purchased the product because I was told I could use pots of any kind of material, but I would like to return it because it does not seem to be compatible with the cooking ware that I own.”

In response, NCAC has carried out a test on the latest IH cooking heaters released by six brands in order to provide information to the consumers. The outline of the results is as follows:

○ Test Results

- The cooking test was carried out using 200g of oil. The temperature of the oil was regulated at the set temperature when cooking in automatic cooking mode. In manual cooking mode, however, the temperature of the oil exceeded 200 degrees Celsius leading to the emission of smoke for some of the brands.
- When heating the frying pan at the highest heat level, the bottom of the frying pans reached a

temperature of 600 degrees Celsius in just 1 to 2 minutes for some of the brands, and some pans caught fire when oil was added at the time of preheating. In addition, when the frying pan was further heated after it became empty, the bottom of the pan burned red in a ring-like fashion before the heat shut off on some of the brands.

- Tests conducted on brands that declared the possibility of using pots of any material showed that it was possible to use aluminum and copper pots on these IH cooking heaters. However, the heating power and thermal efficiency when using aluminum and copper pots was lower than when using stainless steel cooking ware and took over twice the time to boil water.
- Because pots made of aluminum are lighter than cooking ware made of other materials, we observed that they floated up and slid around on the surface of the range.
- For some of the brands, the heating surface on which the pots were placed reached high temperatures.
- Based on the tests for measuring the strength of the electromagnetic wave (density of magnetic flux), the values were in line with the guidelines set forth by the ICNIRP (International Commission on Non-Ionizing Radiation Protection), which is a global indicator related to health effects.

○Advice to Consumers

- When frying food, always use a pot meant for deep frying and make sure to use the correct amount and temperature setting for the oil. Do not leave the pot unattended during the process of frying.
- Preheating using the highest heat setting is dangerous as doing so could cause the bottom of the pot to quickly rise in temperature. The heat should be set at a low setting.
- For brands that indicate the possibility of using pots made of any material, please be advised that it takes double the time to boil water using an aluminum or copper pot compared to a stainless steel one, and because of the poor thermal efficiency, it costs more.
- People who use cardiac pace makers or other medical apparatuses should consult a doctor before using the product.
- A 200V power supply is required when installing an IH cooking heater. In certain cases, 200V lines may have to be drawn in or wiring work may become necessary, and it will also be necessary to change the current flow that is supplied by the power company.

Based on these test results, NCAC has made the following requests for improvements to The Japan Electrical Manufacturers' Association:

- When frying or heating foods using the manual cooking mode, the temperature of the bottom of the pot became very high creating dangerous conditions. We request that further modifications be made to improve safety levels of the products.
- When using aluminum and copper pots with brands that indicate the possibility of utilizing pots of any material, the thermal efficiency with the use of such pots is inferior compared to when using stainless steel pots. As such, we would like to request that improvements be made.
- We have observed occasions in which light-weight pots have moved around during the process of cooking and thus would like to request that this situation be improved.
- We have observed occasions in which the temperature of the surface upon which the pot was placed became extremely high, as well as occasions in which the high temperature warning indication lamp did not light up. There were also occasions in which the surface temperature of the range exceeded 80 degrees Celsius even after turning off the power supply. This creates the risk of causing burns, and we request that improvements be made.

—Surveys and Studies—

The 36th Survey of Trends in People's Livelihood

During the months of October and November of 2005, NCAC carried out the 36th Survey of Trends in People's Livelihood. The survey was conducted on 3,000 housewives living in major cities nationwide and the effective response rate was 63.3%.

The survey focused on the following two themes:

- ① Specific theme: Issues that are often brought up during consumer consultations and phenomena which have come to be identified as social issues.
- ② Timeline theme: Fixed point observation to get a picture of the changes in consumer climate and consumer awareness.

The specific theme for this time's survey was "The management of household finances and financial troubles". The findings are outlined below:

● Household finances and financial troubles

* The status of the management of household finances

- The number one purpose for accumulating savings and engaging in investments was “fees for children’s education” for those in their 20’s and 30’s; “unexpected expenses in preparation for illnesses, etc.” for those in their 40’s and 60’s; and “securing living expenses for old age” for those in their 50’s.
- For those who responded that they were keeping record of their accounts in a household account book or had used one to keep record of their accounts in the past, over half (57.9%) of the respondents had a good grasp of their monthly budget status, and 27.2% had a good grasp of their yearly budget status.
- There was a wide range of responses to the question on how much money the respondents had available to spend freely on themselves on a monthly basis from “None” (4.2%) to “Over 200,000 yen” (1.0%) .

* Trouble with monetary facilities

- 6.9% of the respondents had ran into trouble with monetary facilities, etc, within the last three years.

* Experience with solicitations for investments or moneymaking schemes

- 41.9% of the respondents had been solicited within the last three years through such methods as door-to-door sales, telephone calls or direct mail, to make investments or to purchase financial products that made claims of “high return” , “a way to effectively invest your money” or “value increase”

* Experience with solicitation for construction work related to the home through door-to-door sales person

- 47.7% of the respondents had been solicited by door-to-door sales person in the last three years pertaining to construction work, etc, on their homes.

● Dissatisfaction or damages caused by products or services

- * 39.8% of the respondents had felt dissatisfied or suffered damages due to products or services purchased within the last year. 26.1 % of the complaints had been geared towards products and 27.0% towards services.

- * The number one product or service which had caused dissatisfaction or damages was “food products (including health food products)” at 10.3%. Next was “electronic goods” at 5.8%, “clothing and accessories” at 5.8%, and “communication” at 5.7%.

- * 55.3% of the respondents who answered that they had experienced dissatisfaction or damages (647 people) had filed a complaint.

- * Complaints had been filed (multiple answers allowed) : “to the store or salesman” by 33.2% of the respondents, “directly to the manufacturer” by 22.3% of the respondents, and “to administrative consultation centers such as the local consumer center” by 4.6% of the respondents.

● Issues that consumers would like to have addressed by the National Consumer Affairs Center of Japan and the local consumer center

- * “Consumer issues related to the safety of products” 72.5%, “Consumer issues related to solicitations or contracts for products, etc.” 64.1%.

- * In terms of how the issue should be addressed, the number one response was to “improve the level of response to complaints or consultations” at 69.7%. Next was to “provide information through television or newspapers” at 68.3% (multiple answers allowed) .

● The handling of personal information

- * 56.8% of the respondents “had felt a sense of violation” in regards to the handling of their personal information within the last year.

- * Requests pertaining to the handling of personal information was “the enforcement of penalties for the leakage or misuse of information” for 49% of the respondents. 42.1% of the respondents responded that “since it was impossible to live life by completely refusing to provide any personal information, they would be satisfied if personal information was handled carefully” (multiple answers allowed) .

A Rapid Increase in the Number of Complaint Cases Pertaining to Pre-listed Shares

There have been a growing number of people in Japan playing the stock market from their homes through their computers, etc., and a situation that can be called a “stock boom” is on the rise. At the same time, however, local consumer centers in each of the regions have started to receive consultations regarding pre-listed shares. Typical complaints are, “I purchased pre-listed shares. The scheduled listing date has passed but the stock has still not been listed on the stock market” and “I purchased pre-listed shares but I can’t get in contact with the dealer” . The number of consultations related to

pre-listed shares in fiscal year 2005 (registered consultations up to January 31, 2006) reached 1,296 cases which is 6 times the number of consultations received during the same period in fiscal year 2004.

In response, NCAC has carried out an analysis of the complaints received in relation to pre-listed shares and has identified the following points at issue:

- It was unclear whether the shares had been offered “as a business transaction” or “as a negotiation transaction” between individuals

Pre-listed shares sold “as business transactions” can only be carried out by registered securities firms. However, many dealers who offer pre-listed shares make claims that “they are dealing with negotiation transactions between individuals, so there is no need to be registered”. This is one aspect of the problem.

- Some cases appear to involve fraud

There have been some cases in which fraudulent solicitations have been carried out with the individuals given false explanations. For instance, one individual “purchased pre-listed shares after being told that the stock would be listed in a short period of time and would increase in value. When the individual contacted the company issuing the pre-listed shares, she or he was told that they had no plans to list their stocks on the market. “

- The credibility of the dealers is generally dubious with cases in which individuals become unable to contact the dealer.

After making payment, in the event that the individual decides to cancel the order, there have been quite a few cases in which the individual cannot get in contact with the dealer. Also, even if the dealer states that reimbursements are possible, the credibility of the dealer is generally dubious and the fact is that there is no guarantee that reimbursements will actually be made.

Based on the issues stated above, the following advice was given to consumers:

- In order to prevent trouble, general consumers who are not regularly involved in stock trade should not be deceived by sales talk making such claims as “a guarantee of a rise in value” and should flatly refuse when approached by solicitors.
- If you have any suspicion, contact your nearest local consumer center.
- Since there have been a few cases in which activities have been exposed by the police, contact the police in cases where there is a strong suspicion of fraud.

An Outline of the Consultations Received in the One Year Since the Implementation of the Personal Information Protection Law

As of April 2006, it has been one year since the full implementation of the Personal Information Protection Law. During this period, our personal information consultation service has received over 10,000 consultations such as the following:

- Consultations arising from those who believe that some have “overreacted” in the implementation of the new law.
- Consultations arising from the lack of understanding or knowledge about the Personal Information Protection Law on the part of the business operator.
- Consultations relating to the “perfunctory” adherence of business operators to the Personal Information Protection Law and guidelines.
- Requests by consumers to stop the use of personal information for sales promotion activities by business operators.
- Requests by individuals to find out how their personal information is being distributed.

Based on these consultations, NCAC has compiled trend highlights from consultations received during the past year related to personal information as well as consultation cases. The summary is as follows:

1. The number and content details of consultation cases

(1) The total number of consultation cases

The number of consultations related to personal information received at nationwide personal information consultation services for fiscal year 2005 was 14,154 cases (registered consultations up to May 31, 2006) .

(2) Consultation cases separated by business sector:

- Medical services and welfare sector: 248 cases (1.9%)
- Financial and credit sector: 1,562 cases (12.1%)
- Telecommunications sector: 1,901 cases (14.8%)
- Other business sectors, unknown: 9,298 cases (72.3%)

(3) Consultation cases separated by the type of complaint:

- Complaints related to the acquisition of personal information through inappropriate methods: 6,433 cases
 - Complaints related to the leakage or loss of personal information: 3,293 cases
 - Complaints related to the provision of personal information to a third party without the consent of the individual: 1,928 cases
2. The content details of consultations relating to the handling of personal information
The content of consultations can be roughly divided into the following four groups:
- Consultations regarding the source and distribution route of personal information
 - Consultations regarding the leakage of personal information
 - Consultations regarding the purpose of use
 - Consultations regarding the handling of personal information to be used for sales promotion activities
3. Requests by consumers to business operators who handle personal information:
- Personal information should be used in a restrictive manner
 - Business operators should make an effort to gain the trust of consumers

A Continued High Number of Consultations Related to Fictitious Billing

Since fiscal year 2002, there has been a rapid rise in the number of consultations related to fictitious billing which has become a major social problem. Since then, the police have been cracking down hard on the cases, and measures have been put in place to prevent the wrongful use of bank accounts as well as the criminal use of mobile phones. As a result, the number of consultations has decreased in fiscal year 2005. However, requests for consultations regarding fictitious billing are still high and account for over 20% (250,000 cases) of the total number of consultations. Furthermore, the over 60 generation accounts for 30.5% of the consultations which is nearly triple the number of cases compared to the previous fiscal year. Although various measures are being put into place, the techniques used for fictitious billing is getting worse and more skillful. In response, NCAC has analyzed the recent trends in fictitious billing as well as the methods used, and has provided the details of the findings. The following are increasingly becoming the four most common methods used:

1. A technique in which the method specified for remittance does not involve the use of a bank account.
2. A technique in which the individual is “given an offer for consultation on how to have a lawsuit dropped”.
3. A technique in which they send a bill impersonating a credit record organization.
4. A technique in which they take advantage of a switch over to digital broadcasting.

In order to prevent new cases of victimization, NCAC has renewed their warning to consumers.

The National Consumer Affairs Center of Japan is an independent administrative agency for consumer protection affiliated to the Cabinet Office. The main activities are consumer education, consumer consultation, research and product testing.

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