



NCAC NEWS

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2006's Top Ten Issues in Consumer Consultations

In December 2006, the National Consumer Affairs Center of Japan (hereinafter 'NCAC') issued the following ten topics naming them as the '2006's Top Ten Issues in Consumer Consultations.'

1. A series of accidents took place relating to products and equipment that were familiar with the public.
2. The Consumer Contract Law was amended and the Consumer Organizations Lawsuit System was implemented.
3. The Financial Product Transaction Law came into effect while a series of consumer consultation cases were taking place relating to financial products.
4. The number of consumer consultation cases relating to insurance products maintained an upward trend.
5. The number of consumer consultation cases relating to multiple debts showed an upward trend (a number of governmental revisions were consequently implemented including an amendment of the related laws).
6. One year after the enactment of the Personal Information Protection Law, the number of consumer consultation cases relating to personal information reached more than 14,000.
7. Crimes involving fictitious bills became more expert, shifting the crime targets to the elderly in some cases.
8. A series of consumer issues took place relating to electric and/or electronic products.
9. 'Houterasu' (Japan Legal Support Center) commenced its operation.
10. A notable number of consumer consultation cases took place relating to business practices that were traditional but innovative at the same time.

The above topics have been selected when taking into consideration the following two points:

- Consumer issues that had a significant number of consumer consultation cases* or showed a rapid increase in the number of consumer consultation cases that took place from January to October, 2006.
- Consumer issues that attracted public attention.

*These consumer consultation cases were collected and counted by PIO-NET (Practical living Information Online NETwork).

The outline of each of 2006's top ten issue is described below:

1. In 2006, there were a series of hazardous accidents caused by products and equipment that are familiar with the public including the following; 1) fatal accidents involving carbon monoxide

poisoning which was triggered by gas flash water heaters and kerosene fan heaters, 2) accidents resulting in injury or death that took place in the elevators of housing complexes, and 3) accidents where infants' fingers were cut off by paper shredders. Under these circumstances, the government and business owners were reminded to consider collecting information concerning accidents and hazards that could possibly result in injuries and deaths and also utilizing such information to prevent future accidents. Meanwhile, these accidents had the effect of making consumers consider leading safer and more secure lives. In response to the frequent occurrence of accidents, the amendment of the Consumer Products Safety Law came into effect.

2. The Consumer Organizations Lawsuit System was introduced in 2006 in response to the amended Consumer Contract Law. As a result of this introduction, consumer organizations certified by the government are now entitled to lodge petitions to suspend the use of illegitimate contractual terms prepared by a business owner or illegitimate solicitation activities performed by a business owner.

3. In recent years, a variety of financial products have been introduced in Japan. As a result, an increasing number of consumer consultation cases have been taking place relating to financial trading that has high risks for common consumers such as unlisted shares and futures transactions. In 2006, NCAC released the number of consumer consultation cases, the amount of damages suffered by consumers and the problematic areas of solicitation activities that were all associated with unlisted shares, foreign futures transactions and foreign futures and options transactions. In July 2006, the Financial Product Transaction Law came into effect which sets forth comprehensive rules pertaining to overall financial product trading.

4. The number of consumer inquiries and complaints relating to insurance products received by PIO-NET has been increasing. The Financial Service Agency issued policies in order to ensure that the related laws are complied with in regard to the nonpayment of insurance benefits. As a consequence, several insurance companies became subject to administrative penalties in 2006. It is now essential for the insurance industry to provide adequate product explanations to consumers and also to provide more appropriate judgment concerning insurance benefit payments in accordance with the contractual conditions.

5. The number of consumer consultation cases relating to consumer loans showed an upward trend in 2006 and this issue became a serious problem. In March, 2006, NCAC released the 'Research study of the current circumstances surrounding the multiple debts issue and the countermeasures to solve the problem'. Furthermore, NCAC released recommendations to improve this problem by taking into consideration the findings of the above research study where the difficulties experienced by victims of multiple debts were revealed and a consumer opinion survey was carried out. In addition, the government instigated a review concerning the so called 'gray zone interest rates' and the amendment of the 'Money-Lending Business Control and Regulation Law, Regulation for Loan Business in Japan' was enacted in the Diet session in order to enforce the upper interest rate limit of the Investment Law in coordination with that of the Interest Restriction Law.

6. The year 2006 marked one year since the full enactment of the Personal Information Protection Law. After the enactment of the law, more than 14,000 cases of consumer inquiries and complaints were received by local consumer centers throughout Japan. The large number of consumer consultation cases can be categorized in following ways; 1) inappropriate acquisitions of personal information, 2) leakage and/or loss of personal information, 3) personal information provided without holding the consumer's consent, and 4) use of personal information for purposes that were not intended by the consumer.

7. The number of consumer consultation cases involving fictitious bills has been declining thanks to the governmental and public engagement in addressing this issue. Nevertheless, the number of consumer consultation cases relating to this issue still accounted for 20% of the total number of consumer consultation cases. It was remarkable in 2006 that the number of consumer consultation cases relating to this issue and involving people in their sixties and older became three times larger than that of 2005. Furthermore, a series of new and more expert methods of carrying out this crime have been emerging one after another. It is therefore necessary to continuously pay attention to future developments of this issue.

8. NCAC's consumer email system called 'E-mail for consumer problems*' receives a variety of consumer information containing inquiries and complaints. Amongst these emails, consumer information relating to defective electric and/or electronic products was frequently received in 2006. In some cases relating to this issue, manufacturers did not provide any troubleshooting services including the replacement or repair of defective products so far as such products did not cause any physical harm or hazards. It is necessary to improve troubleshooting services for defective products whether or not they contribute to physical harm.

*A consumer information collecting system established on NCAC's website in April, 2002, in order to concurrently understand the current status of consumer damages and to make a contribution to preventing such damages in the future.

9. From October, 2006, the Japan Legal Support Center commenced its operation in accordance with the Comprehensive Legal Support Law in order to provide legal information, sustain civil laws and provide countermeasures to maintain adequate judicial services. The Center renders services for people with problems involving legal matters and introduces them to appropriate organizations to hold consumer consultations. NCAC and local consumer centers located throughout Japan are registered with the Center and are recognized as places of consumer consultations.

10. As a result of the amended Fire Defense Law which was enacted on June 1, 2006, all newly built houses are now obliged to install fire alarms from the enactment date of the above law and all existing houses from the date designated by the local government in accordance with its regulations. Consequently, there were an increasing number of consumer consultation cases in 2006 concerning distribution methods and prices of fire alarms. Apart from this issue, there were a growing number of consumer consultation cases involving victims of 'Genya-shoho (Wasteland selling).' These cases were a reoccurrence of those that took place in the seventies and eighties where a large number of complaints were raised by consumers who had bought useless land in connection to the above practice. These victims once again suffered from secondary damages whereby they were convinced to conclude a contract to make a location survey of the land they had bought or to create an advertisement in order to look for a potential purchaser of the land.

◇ *Activities of the NCAC*

—Product Testing—

Safe ways to use spray can products

Spray can products are used in a variety of our daily living environments. The NCAC operated 'Injury Information System' has received 211 cases of accidents where spray can products were involved since the Fiscal 2000 and 137 of these cases resulted in injuries. Due to these circumstances, NCAC performed spray can product tests concerning their safety during use and provided information gained from these tests for consumers in terms of precautions when using and storing the product and appropriate disposal methods. The outline of the product test findings are described below:

○ Product test findings

- Cold spray products designated to be used by spraying their contents onto a part of human body were likely to have a high risk of frostbite depending on how they were used.
- Spray can products with weighty contents were likely to burst under a high temperature environment.
- There were some cases in the product tests where spray can products became inflamed when bringing inflammables near the product immediately after its contents were sprayed. This was caused by various factors such as the inflammability of the product contents and the injection quantity.
- The sprayed contents of some spray can products designated to be used in a party situation were discovered to be inflammable depending on types of their contents.

○ Advice for consumers

(1) Precautions when using and storing the product

- Strictly follow the instructions indicated on the product when using the product by spraying its contents onto a part of the body.

- Do not bring any inflammables near the product immediately after spraying its contents.
 - Do not leave the product in a car, an area exposed by the sun or near an area or materials that may heat up the product.
- (2) Precautions when disposing of the product
- Use up the contents of the product including the spray agent and follow the disposal methods provided by the local government.

NCAC made the following requests to the industry and the government by taking into account the above product test findings. The summary of these requests are described below:

- Requests to the industry
 - It is necessary to design products by taking into account the risk of frostbite.
 - Safety ingredients need to be used in products in order to make them less inflammable. It is also essential to design products so as the possibility of bursting and/or exploding becomes smaller.
 - It is necessary to design products that have a structure whereby gas drainage can be carried out easily.
 - A clear product display needs to be provided in order to convey important information to consumers in an easy-to-understand manner.

*These requests have been submitted to the Aerosol Industry Association of Japan.
- Requests to the government
 - It is necessary to ensure that disposal methods are fully understood by the public.
 - An establishment of safer disposal methods that are uniformed throughout Japan needs to be taken into consideration in order to prevent future accidents.
 - The industry needs to be given guidance to introduce products that have a structure whereby gas drainage can be carried out easily.
 - The industry needs to given guidance to provide an appropriate product display.

*These requests have been submitted to the Ministry of Economy, Trade and Industry and the Ministry of the Environment.

—Surveys and Studies—

The ever increasing number of consumer consultation cases relating to multilevel marketing

The number of consumer consultation cases relating to multilevel marketing has been showing an upward trend. The NCAC operated PIO-NET has received approximately 20,000 consumer inquiries and complaints every year relating to this issue since the Fiscal 2001. Although the number of inquiries and complaints declined for a while during this period, it has been increasing again since the Fiscal 2005.

In recent years, people in their twenties have been the largest age group affected by this issue as regards multilevel marketing contracts; especially there being a significant number of consumer consultation cases involving students.

Consequently, NCAC investigated this issue focusing on the consumer consultation case examples involving young people and provided information gained from the survey findings for consumers. The outline of the survey findings is described below:

- Problematic areas
 - A multilevel marketing trader recommends a consumer to use a consumer loan company when the consumer pays for the specific burden.
 - During the initial approach of multilevel marketing solicitation, the consumer is not told the name of the relevant trader or its business operation details.
 - When the consumer asks for the cancellation of a contract before its maturity, the trader does not agree to make a refund, insisting that they have already provided the consumer with all rights and services. This takes place if the consumer has paid the specific burden for their rights and services, not for the products.
 - In some cases discovered in the above survey, when the consumer wished to take advantage of the cooling off system, the trader insisted that the consumer had used (consumed) the products and billed the consumer for the price of the products or the fees of the seminar to which the consumer had attended. The advantages of the cooling off system were practically nullified in these cases.

- In some cases discovered in the above survey, schemes that are almost equivalent to pyramid schemes (endless multilevel marketing schemes) were adopted whereby the trader seemed to focus on money distribution rather than product distribution. Although the consumer paid fees under the pretext of registration fees and/or membership fees to join the organization, there were no products in existence or, even if there were, only some portion of such products were provided for consumers.
- Advice for consumers
 - Never conclude any contract of multilevel marketing where a consumer loan company is involved.
 - When told “there is easy work to earn easy money” or “there is a network business” by friends, it is important to be suspicious that it could be multilevel marketing.
 - Do not think that there is any way to earn easy money.
 - Do not conclude any contract with a trader that does not provide any documents relating to the contract.
 - Learn the contents of the documents relating to the contract carefully and do not conclude the contract if such documents contain anything that is not based on fact.
 - Even when knowing that it is multilevel marketing and still deciding to conclude a contract, such a business may be considered to be adopting pyramid schemes which are banned by law if the relevant business practice is discovered not to be real.

NCAC made requests to the government and the industry by taking into account the above survey findings. The major requests are described below:

- Requests to the Ministry of Economy, Trade and Industry
 - It is important to strengthen the ministry’s response to banned activities carried out in multilevel marketing.
 - It is necessary to consider giving guidance to the industry to clearly demonstrate to a consumer that they are carrying out multilevel marketing solicitation during the initial stage of such solicitation.
 - It is essential that consumers are able to take advantage of the cancellation of the contract before its maturity even if the consumer has paid the specific burden for their rights and services.
 - The interpretation of the cooling off system needs to be clarified further.
- Requests to the Financial Service Agency, the Federation of Moneylenders Association of Japan, the Japan Consumer Finance Association and the Liaison Group of Consumer Finance Companies
 - When a young person applies for a loan, it is a requirement to look into his/her age, occupation and purpose to use the money. It is also necessary to conduct a rigorous evaluation in terms of the loan’s relevancy.
 - It is necessary to carry out evaluations carefully as there were some cases where a young person was persuaded to claim that he/she was not a student although they were.

*Consumer complaints received by the ‘E-mail for Consumer Problems’
relating to electric and/or electronic products*

As the NCAC operated ‘E-mail for Consumer Problems’ has the inherent characteristic of collecting consumer information through the internet, it receives a significant number of emails containing consumer complaints that are associated with information communication. It also receives a large number of emails containing consumer complaints relating to electric and/or electronic products including mobile phones, computers and DVD recorders. Due to these circumstances, NCAC has organized the consumer complaints received by the above email system up until this time regarding electric and/or electronic products and summarized the problematic areas of this issue by taking into account the findings of the follow-up surveys. The outline is described below:

- Consumer complaints statistics regarding electric and/or electronic products
 - In the overall consumer information received by the above email system, approximately 30% was associated with electric and/or electronic products whereby approximately 40% was in regard to quality related issues including defects.
 - The above email system received a total of 760 cases of consumer complaints relating to quality issues of electric and/or electronic products in the Fiscal 2005. By categorizing these cases, 414 were associated with entertainment products which accounted for more than half of the total.

○ Follow-up surveys

- NCAC conducted follow-up surveys concerning consumer complaints received by the above email system in regard to electric and/or electronic products as necessary. Major case examples are described below:

Case 1:A mobile phone suddenly froze and its power shut off.

Case 2:The power of a mobile phone shut off after a short while and its battery pack expanded.

Case 3:The power of a liquid-crystal display with a TV tuner could not be turned on again.

Case 4:The ink of a multifunction printer did not come out.

Case 5:A DVD hard disk recorder suddenly stopped working altogether and became unusable.

Case 6:The actual fuel economy of a hybrid car sometimes became significantly lower than the figures indicated in the product display.

Case 7:A car battery exploded when the engine was started.

Case 8:A car navigation system became defective when used in combination with an in-vehicle ETC.

Case 9:New model dry batteries became defective when used in combination with an older model digital camera.

Case 10:The plastic part of the inner side of a clothes dryer lid cracked.

○ Problematic areas

- The following areas were discovered to be problematic when taking into consideration the case examples and the above follow-up survey findings:

①Causes of defects are not satisfactorily resolved.

②Troubleshooting services are offered at cost even if the warranty period has only recently expired.

③Information regarding defects is not sufficiently announced.

④Troubleshooting handling is inadequate.

⑤ Information regarding the characteristics of a product including its disadvantages is not adequately conveyed to consumers in some cases.

⑥Countermeasures to resolve defects that occur when using the product in combination with a product manufactured by a different manufacturer is inadequate.

Consumer issues relating to compensation coverage of health insurance products

Consumers' interest has become heightened towards health insurance products that concentrate on covering medical costs in the event of hospitalization and when undergoing an operation.

At the same time, the number of consumer consultation cases relating to health insurance products has been rapidly increasing in recent years and the major complaint within this issue is nonpayment of insurance benefits.

NCAC consequently looked into the following matters relating to this issue:

- Problematic areas attributed to insurance companies when a consumer raised a complaint regarding the compensation coverage of a health insurance product
- Precautions for consumers in order to avoid possible problems

The outline of the above investigation findings is described below:

○ Outline of consumer complaints

- The number of consumer complaints received by PIO-NET relating to health insurance products was 6,225 from April, 2001 to October, 2006.
- The number of consumer complaints continues to show an upward trend year after year.
- The number of consumer complaints received in the Fiscal 2005 had shown a rapid increase and the number of consumer complaints received in the Fiscal 2006 was even larger than that of the Fiscal 2005.

○ Problematic areas of this issue when taking into consideration the case examples of the consumer complaints

- Explanations of insurance coverage provided by sales representatives and agencies are inadequate. In addition, traders' understanding of their products is insufficient.
- Explanations of insurance coverage provided in leaflets and TV ads are inadequate.
- Contractual conditions of an insurance product are not demonstrated for consumers when concluding

the contract.

- The contents of contractual conditions and leaflets are complicated and difficult for consumers to understand.
 - There are company regulations that exist which consumers are not aware of.
 - Follow-up information and precautions provided for consumers after the contract conclusion are insufficient.
 - A consumer is not provided with convincing explanations when it has been decided that the insurance benefits should not be paid for the consumer.
- Advice for consumers
- When considering taking out new insurance, examine the insurance coverage of the government-provided national health insurance and/or the private health insurance you have already taken out in order to determine if it is really necessary to take out such new insurance.
 - When considering taking out new insurance, check with the insurance company as to which circumstances the insurance benefits are not paid out.
 - Store any documents received from the insurance company with caution and take good care of these documents in order not to lose them.
 - Disclose your medical history and hospital visit records correctly when concluding an insurance contract.

NCAC made requests to the industry by taking into account the above survey findings. The summary of these requests is described below:

- It is necessary to enhance the transparency and simplification of health insurance coverage as consumer issues regarding insurance products are likely to expand due to the diversification and complication of such products.
 - In the event of creating consumer misapprehension due to providing insufficient explanations pertaining to the insurance coverage, the insurance company must make an appropriate arrangement in order to ensure that the consumer will not be left alone to suffer from disadvantages.
 - Consumers should be able to access all regulations at any time including those of the insurance company which set forth the approval and disapproval of insurance benefit payments.
 - It is necessary to continue providing follow-up information and precautions for consumers regarding any aspects of an insurance product where consumers tend to expect or perceive that they are entitled to receive benefits.
 - It is essential to ensure that insurance companies take more responsibility towards their accountability so as consumers are able to receive appropriate information and have the correct knowledge regarding the insurance coverage before concluding the contract.
- *These requests have been submitted to the Life Insurance Association of Japan, the General Insurance Association of Japan and the Foreign Non-Life Insurance Association of Japan.

*Consumer issues relating to personal information
acquired by insurance companies from hospitals*

After the Personal Information Protection Law was fully enacted on April, 2005, NCAC started handling consumer inquiries and complaints relating to personal information.

One day, NCAC received a consumer inquiry whereby the consumer had become suspicious that the method employed by an insurance company in order to acquire her personal information was inappropriate. The outline of this inquiry is described below:

- The consumer made a claim to receive insurance benefits from her insurance company after she underwent an operation in a gynecological ward of the hospital.
- Nevertheless, the insurance company suspected that the consumer had not fulfilled the duty of disclosure at the time of the insurance contract conclusion regarding the relevant gynecological medical condition.
- The consumer was asked to fill in three written consent forms with which the insurance company became entitled to acquire her personal information from the hospital in order to discover whether or not she had committed a nondisclosure.
- One of the written consent forms did not contain a section for the consumer to write in the name of the hospital.
- Afterwards, the consumer discovered that the insurance company had carried out interviews with not

- only the relevant hospital but also other hospitals that were not related to the above claim at all.
- The consumer became suspicious, feeling that it was inappropriate for the insurance company to carry out such interviews regarding her on the grounds of a written consent document which did not specify the name of the hospital.

After receiving the above inquiry, NCAC made an investigation with the relevant insurance company and insurance industry organizations and made requests to the industry to take appropriate responses in compliance with the Personal Information Protection Law.

NCAC then provided information for consumers and business owners by taking into account the above investigation findings in order to make them aware of this issue.

NCAC gave the following advice for consumers when providing the above information:

- Carefully examine the contents of any written consent forms concerning personal information acquisition and ask for adequate explanations from the insurance company if there is anything unclear in such forms.

Furthermore, NCAC made the following requests to the industry by taking into account the above investigation findings:

- Insurance companies should provide adequate explanations for their clients in order to assure their understanding of the company's handling of personal information.
- Insurance companies should be fully responsible in supervising a research company when entrusting such a company to investigate the personal information of their clients.
- Insurance companies should ensure that their entrusted research companies and their employees fully comprehend the 'Guideline of appropriate personal information handling for medical and nursing care business owners' which states that business organizations are not entitled to immediately acquire their clients' personal information from medical institutions even if they hold their client's written consent.
- Medical institutions should not immediately provide their patients' personal information to insurance companies even if such companies provide the patient's written consent. Medical institutions should respond to insurance companies' investigations in compliance with the 'Guideline of appropriate personal information handling for medical and nursing care business owners.'

*These requests have been submitted to the General Insurance Association of Japan, the Life Insurance Association of Japan and the All Japan Hospital Association.

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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