



NCAC NEWS

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(1) Consumer Affairs Climate

◇ *The rapidly increasing number of consumer complaints involving NOVA: A large number of these cases have remained unsolved (these issues have been revealed as a result of an emergency questionnaire targeting local consumer centers located throughout Japan)*

○ Outline

There has been a dramatic upward trend demonstrated in the number of consumer inquiries and complaints with regards NOVA, the industry's largest corporation providing foreign language lessons. This trend has been seen since April 3, 2007, when the Supreme Court decision was made on consumer issues created by the company. The National Consumer Affairs Center of Japan (hereinafter 'NCAC') carried out a NOVA related emergency questionnaire targeting local consumer centers located throughout Japan during the period of three days from June 26 to 28 (the number of consumer centers to which the questionnaire was sent: 530, the number of consumer centers that replied to the questionnaire: 441, the collection ratio: 83.2%). As a result of the questionnaire, it was discovered that a significant number of NOVA related consumer inquiries and complaints have been received by local consumer centers. These complaints are associated with the settlement methods employed by NOVA, such as the following cases: 1) Although this particular consumer did not take actual lessons, NOVA charged the consumer lesson fees after a certain period of time passed, arbitrarily assuming that the consumer took the lessons, and 2) This particular consumer had cancelled the contract before its maturity and received a refund. However, the consumer came to know as a result of the Supreme Court case that the company had carried out the settlement calculation at a higher rate. The consumer thus wishes the company to carry out correct settlement procedures. According to the results of the above questionnaire, it has been revealed that NOVA's consumer handling is remarkably problematic.

By taking into account the questionnaire results, NCAC has made the following requests to NOVA:

- An internal department to receive and handle consumer complaints must be established in order to solve problems at an earlier phase.

- In accordance with the Supreme Court's decision and the administrative penalties imposed by the Ministry of Economy, Trade and Industry, the current settlement policies applicable to people who have recently cancelled a contract before its maturity must apply to people who had cancelled a contract before its maturity in the past.

◇ The outline of consumer inquiries and complaints collected by PIO-NET and safety hazard/risk related information received by the Injury Information System in the Fiscal 2006

○ Outline

NCAC has summarized 'consumer inquiries and complaints information' collected by PIO-NET (Practical Living Information Online-NETwork) in the Fiscal 2006, which links NCAC and local consumer centers. NCAC has also summarized 'safety hazard related information' by looking into the overall safety hazard/risk related information and other information provided by cooperating hospitals (consumer inquiries and complaints targeted for these summaries were registered on NCAC's host computer by May 30, 2007).

○ Major characteristics of 'consumer inquiries and complaints' in the Fiscal 2006

- The total number of consumer inquiries and complaints that took place in the Fiscal 2006 is approximately 1.1 million (a decline of 15.6% from the previous year) and remains high. Elderly people in their seventies and older demonstrate the highest growth rate to be involved in consumer issues.
- The number of consumer inquiries and complaints relating to 'fictitious bills' has been declining after reaching its peak in the Fiscal 2004. On the other hand, the number of consumer inquiries and complaints relating to 'financial/insurance services' and 'credit cards' shows an upward trend.
- The number of consumer inquiries and complaints relating to 'trades/transactions' remains high, accounting for approximately 90%. The number of consumer inquiries and complaints relating to 'safety and quality' shows an upward trend.
- The number of consumer inquiries and complaints relating to 'sales that were not carried out in a shop' has been declining, though it still accounts for more than half of the total consumer inquiries and complaints. A large number of these inquiries and complaints involve 'mail orders,' 'door-to-door sales' and 'telemarketing.'

○ Major characteristics of 'safety hazard/risk related information'

- 10,651 cases of safety hazard and risk related information were provided by local consumer centers in the Fiscal 2006.
- The breakdown of the overall safety hazard and risk related information is the following: 7,054 cases of 'safety hazard related information (information detailing cases whereby consumers suffered life-threatening or physical hazards)' and 3,597 cases of 'risk related information (information detailing cases whereby consumers were subjected to risks that may have caused a safety hazard).'
- The top three products and services involved in the 'safety hazard related information' provided by local consumer centers are 'beauty salon treatment services,' 'health foods' and 'medical services.'
- The top three products involved in the 'risk related information' provided by local consumer centers are 'automobiles,' 'heaters' and 'motorcycles'
- 8,581 cases of safety hazard related information was provided by cooperating hospitals.
- The top three products involved in the 'safety hazard related information' provided by cooperating hospitals are 'stairs,' 'bicycles' and 'kitchen knives'
- In total, 19,232 cases of safety hazard and risk related information were provided by local consumer centers and cooperating hospitals in the Fiscal 2006 (an increase of 3.7% from the previous year).
- The numbers of both 'safety hazard related information' and 'risk related information'

provided by local consumer centers have increased. This may be attributed to the rapidly increasing awareness of consumers toward product safety as a result of a series of fatal/serious accidents that took place involving products such as gas water heaters and paper shredders.

(2) Activities of NCAC

① Product tests

◇ *Be careful using a power strip with a switch that releases fumes*

NCAC received a consumer inquiry stating that a four-plug power strip with a switch labeled “YM Project” released fumes from the socket when using it for a 1200W electric heater. NCAC has accordingly carried out a product test on the relevant power strip. The outline of the product test findings is described below:

- When the fumes were released, the power was not in excess of the maximum limit of 1500W (indicated on the main body of the product), though the deformation and the change in color that took place in the switch area were assumingly caused by heat.
- When using an electric heater with the identical power strip that caused the above accident in the identical circumstances as when the accident took place, a high temperature occurred in the switch area and this was discovered to cause the deformation.
- It was discovered that YM Project Limited, the importer of the relevant power strip, had not notified the authorities regarding its business operations.

As a consequence of the above product test, it was discovered that using the relevant power strip for an instrument with a large power consumption may cause deformation and a releasing of fumes due to a generation of heat. NCAC has accordingly warned consumers to stop using the relevant power strip immediately. Furthermore, as YM Project Limited is considered to be in conflict with the Electrical Appliance and Material Safety Law by not notifying its business operations relating to the relevant power strip to the authorities, NCAC has requested the authorities concerned (the Product Safety Division, the Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry) to ensure that the appropriate instructions are given to the company.

◇ *Be careful regarding glass teapot breakages due to low heat resistances*

NCAC received a consumer inquiry stating that the main body of a glass teapot, commonly used to make tea, broke when the consumer was washing it and, as a result, the consumer suffered an injury. PIO-NET has received 27 cases of consumer inquiries and complaints regarding ‘teapots’ since the Fiscal 2002. Among these cases, seven cases were associated with the breakage of a teapot when pouring hot water into the pot or when washing the pot. NCAC has consequently carried out a product test on seven glass teapot brands. The outline of the product test findings is described below:

- 4 out of 7 testing brands had product labeling indicating ‘heat resistance up to 120 degrees.’ However, these products were made of soda glass and were discovered not to have a heat resistant temperature differential (strength against rapid temperature valuations) of 120 degrees and higher.
- The thickness of the glass of soda glass products was thinner compared to heat-resistant glass products, whereby the strength against rapid temperature valuations is stronger.
- Some soda glass products with a thin glass thickness broke when washing them by hands.

By taking into account the above product test findings, NCAC provided advice to consumers to select a heat-resistant glass product with a ‘heat resistance certification mark’ when using glass equipment to contain hot water. Furthermore, NCAC has requested to the authorities concerned to provide instructions to the industry to improve product quality and labeling.

◇ Prevention of accidents caused by mini cup type jelly products that contain konnyaku

In May, 2007, NCAC released information of fatal accidents involving children caused by jelly products that contain 'konnyaku' (alimentary yam paste). Subsequently, NCAC has carried out a product test on 72 brands of mini cup jelly products that contain konnyaku in terms of their hardness, elasticity, maximum diameters, cubical volumes and labeling. NCAC then summarized the difference with the findings of the product tests performed within the period from 1995 to 1997. The outline of the above product test findings is described below:

- Some products were extremely harder and more elastic compared to those tested in the past product tests.
- Most products did not have shapes that could be recognized at a glance as totally different from common jelly products.
- Accidents caused by jelly products that contain konnyaku have been taking place regardless of the size of such products as it was discovered that products reported to have caused accidents had different maximum diameters and cubical volumes.
- Over 60% of the testing brands had no cautionary labels specifying that the product must not be given to children or the elderly.
- Over 70% of the testing brands had a cautionary label recommending cutting the product into small pieces when giving it to children or the elderly.
- The United States, the EU and South Korea have been recalling and restricting jelly products that contain konnyaku. Nevertheless, in Japan, no specific official product standards and criteria have been established and these products have not been restricted as of June, 2007.

By taking into account the above product test findings, NCAC has warned consumers once again not to give a mini cup type jelly product that contains konnyaku to children or the elderly. Furthermore, NCAC has requested the authorities concerned to establish accident prevention measures, including restrictions on sales, by promptly addressing safety measures to prevent accidents and looking into product safety.

② Surveys

◇ Bathtub float: Never take your eyes off your child - Even fatal cases have been reported whereby infants were drowned

A pediatrician reported to NCAC that there have been accident cases whereby infants were nearly drowned or actually drowned while using a bathtub float* (see *Note* described below). NCAC has accordingly conducted an investigation on products of the identical type. The outline of the above investigation findings is described below:

Note: A bathtub float is square shaped and can be contained within a bathtub. It has a sheet in the middle which is pant shaped so that an infant can put his/her legs through the sheet and float in the bath water in the sitting position.

- The Injury Information System has received 2 similar accident cases. Medical societies and other medical organizations have received 9 cases whereby infants were nearly drowned or actually drowned attributed to a bathtub float.
- As a result of a test using a dummy, the dummy did not turn over or fall when firmly placed in the pant shaped area of the float and when floating on the water quietly. Nevertheless, an infant could turn over or fall in the following circumstances: if an infant bends forward while not firmly placed in the sheet, or if the amount of bath water is not sufficient and the infant's feet reaches the bottom of the bathtub (due to the center of gravity becoming higher and therefore the infant may consequently turn over or fall if losing balance in a backward direction).

By taking into account the above investigation findings, NCAC has advised consumers to avoid using this type of products for infants and, if they must use it, the infant must be under supervision of

an adult at all times. Furthermore, NCAC has requested the authorities concerned to carry out a review concerning the relevant products and to warn consumers with regards this issue in a prompt manner.

◇ Fictitious bills under the name of a 'Notification of Civil Action' : A large amount of fees may be demanded if contacting the sender of the bill

NCAC received the following consumer inquiry involving a fictitious bill: This particular consumer had received a "Notification of Civil Action" under the joint signatures of a lawyer and a distributor. The document stated that the distributor intended to bring a civil case as a result of the consumer failing to pay for a mail-ordered product. However, the consumer had no memory of such a purchase. The characteristics of the fictitious billing methods employed in this case are described below:

- Bills were sent out intensively to a certain area during a short term using a name of a fictional lawyer or a law firm.
- When a consumer contacted the sender of the bill, the consumer was required to pay money. The sender promised the consumer that, once the consumer transferred the money, the sender was to drop the case and make a refund of the money at a later date with the price of the product of concern and the legal fees of 20,000 yen deducted from the sum.

By taking into account the above investigation findings, NCAC has provided consumers with the following advice:

- Never contact the sender of the bill if you have no memory of the transaction of concern as the sender may require you to pay for the legal fees in order to drop the civil case. Never accept to transfer money to the sender even if you have contacted the sender and have been told that you will receive a refund at a later date.
- If you have transferred the money, contact the police and the relevant financial institution immediately in order to freeze the account that you have transferred the money into.
- Make sure that your personal information is kept private in order to prevent similar incidents taking place in the future.
- When receiving a bill that you are innocent of, consult with a local consumer center before contacting the sender of the bill or transferring the money demanded.

◇ A series of consumer damages taking place caused by questionable 'investment transactions'

NCAC and local consumer centers located throughout Japan have been receiving a remarkable number of consumer inquiries and complaints relating to investment transactions (11,403 cases involving investment transactions were registered on PIO-NET from the Fiscal 2000 to the Fiscal 2006). An example of these cases is as follows: A consumer invests a large sum of money after good dividends were assured such as 'a monthly interest of 3%' and 'a double-fold return a year later.' However, the consumer receives 'no dividends' and/or 'no refund.'

Serious consumer issues involving investment transactions have taken place up to now. Although these questionable investment transactions will be subject to the Financial Instruments and Exchange Law and the consumer protection rules will apply to consumer issues involving these transactions, it is expected that similar consumer issues will take place in the future. Furthermore, damages caused by these consumer issues rarely come to light until the payment of dividends has been stopped or the relevant trader has been arrested or bankrupted. Under these cases, it is scarcely possible to receive a refund.

Consequently, NCAC has summarized the current status and trends of consumer damages by looking into case examples of recent consumer inquiries and complaints. The problematic areas discovered are described below:

- Targets of investment and the current status of such an investment transaction are unaccounted for.

- Sales-talk utilizing terms such as ‘good dividends’ and ‘capital-safe’ is employed.
- Multilevel solicitation schemes are employed by breaching trust and faith.
- Payment of dividends suddenly stops.
- A contract cannot be cancelled.
- Solicitation schemes evading laws are employed.
- Issues targeting the elderly have been increasing.

By taking into account the above investigation findings, NCAC has provided consumers with the following advice:

- Do not start a questionable investment transaction proclaiming ungrounded high dividends.
- Refuse firmly the starting of a questionable investment transaction even if it is recommended by a person close to you.
- Consult with the nearest local consumer center.

◇ Be careful with problems caused by purchases of laundry poles through traveling sales

The number of consumer inquiries and complaints relating to laundry poles and other clothes-drying equipment received by local consumer centers located throughout Japan shows an upward trend. The significant number of these cases is associated with traveling sales of laundry poles using a car traveling around and exhibiting laundry poles and other clothes-drying equipment, accounting for over 90% of the total. There are cases whereby a distributor of laundry poles announces ‘1000 yen for two laundry poles’ to attract customers and afterwards sells a different and more costly product; or a distributor forces a customer to purchase a laundry pole after cutting the laundry pole to adjust the length to make the customer feel obliged to purchase it. It is often impossible to specify a distributor as they sell their products while traveling around and their names and contact numbers are unaccounted for. Currently, once a payment has been made, it is difficult to relieve damages materially by cancelling the contract or receiving a refund. Consequently, NCAC has summarized the current status and trends of consumer damages by looking into case examples of recent consumer inquiries and complaints. The investigation findings are described below:

- The number of consumer inquiries and complaints relating to laundry poles and other clothes-drying equipment reached 2,804 during the period from the Fiscal 2001 to the Fiscal 2006.
- The number of consumer inquiries and complaints in the Fiscal 2006 is 639, an increase of approximately 2.2 times compared to 288 cases in the Fiscal 2001.
- The number of consumer inquiries and complaints relating to laundry poles and other clothes-drying equipment that were purchased through traveling sales is 2,536, accounting for approximately 90% of the total.
- Over 80% of consumers involved in these cases were middle-aged people and older; especially people doing household chores and unemployed females. It can be stated that distributors of laundry poles target particular age brackets that contain people who are relatively stay at home types.
- The average purchase price is 65,000 yen and payments are normally made in cash.

Depending on circumstances of the purchase, Act on Specified Commercial Transactions may protect such a purchase and thus a cooling-off system may be applicable to the purchase. Even if it cannot be protected by such laws, the following measures are still applicable if purchasing a product without being told its real price or if being told the wrong price: failure of the contract, cancellation of the contract in accordance with misrepresentations specified in the Consumer Contract Law, and the claiming of an invalidation of the contract due to faulty sales activities.

However, as most of the consumers who have consulted with local consumer centers to raise consumer inquiries and complaints had paid for a product on the spot, it is virtually impossible to relieve their damages if the name of a distributor or its contact number has become unaccounted for after the purchase was made.

By taking into account the above investigation findings, NCAC has provided consumers with the following advice:

- Consider carefully before stopping a traveling sales trader.
- Examine the price of a product adequately before purchasing it and refuse the purchase if the product is not necessary for you.
- Collect the receipt and obtain the contact number of the distributor on the spot.
- Consult with a local consumer center if you have experienced any problems.

NCAC