



NCAC NEWS

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1 . Consumer Affairs Climate

Outline of consumer inquiries and complaints collected through PIO-NET during the Fiscal 2007

The National Consumer Affairs Center of Japan (hereinafter ‘NCAC’) has summarized consumer inquiries and complaints that were collected through PIO-NET (Practical living Information Online-NETwork) during the Fiscal 2007. (Target data: consumer inquiries and complaints that were registered with NCAC’s host computer by the end of May, 2008.) PIO-NET is designed to provide consumer consultation information collected by local consumer centers to NCAC. The major findings are described below:

- The total number of consumer inquiries and complaints exceeded 1 million five years in a row maintaining a very high level.
- The number of cases involving ‘fictitious billing’ remained high though it has been decreasing since the Fiscal 2004 when it hit its peak.
- The number of cases involving the following areas showed an upward trend:
 - ‘ transportation/communication services (i.e. telephone information services), ’
 - ‘ education/entertainment services (i.e. foreign language tuitions/conversation lessons), ’
 - ‘ health/welfare services (i.e. beauty salon services) and ‘food products.’
- While the number of cases involving ‘trading’ showed a downward trend, it remained high reaching approximately 90% of the total. Meanwhile, the number of cases associated with ‘safety/quality,’ ‘prices/fees’ and ‘customer services’ demonstrated an upward trend.
- While showing a downward trend, the number of cases involving ‘sales carried out based on marketing methods that do not involve an outlet’ ; especially those relating to sales through ‘mail orders,’ ‘door-to-door sales’ and ‘telemarketing,’ accounted for more than half of the total.

- The total number of cases involving ‘loan contracts’ and ‘sales credits (credit contracts)’ accounted for approximately 30% of the total.

Outline of safety hazard related information and risk related information registered with the Injury Information System during the Fiscal 2007

NCAC has summarized the safety hazard related information and risk related information that were collected through PIO-NET during the Fiscal 2007 as well as the safety hazard related information collected through cooperating hospitals. (Target data: information that was registered with NCAC’s host computer by the end of May, 2008.) The major findings are described below:

- The total number of accident cases learned of by both local consumer centers and cooperating hospitals was 23,192 demonstrating a year-on-year increase of 20.6%. The number of accidents involving ‘cooked food products’ showed a significant rise which is considered to have resulted from the number of incidents involving frozen food made in China.
- Local consumer centers received a total of 13,103 accident cases consisting of ‘safety hazard related information’ reaching 8,545 cases and ‘risk related information’ reaching 4,558 cases. The top three products/services detailed in the ‘safety hazard related information’ were ‘beauty salon services’ ‘medical services’ and ‘cosmetic products’. The top three products/services detailed in the ‘risk related information’ were ‘automobiles,’ ‘heaters’ and ‘cooked food’.
- Cooperating hospitals received a total of 10,089 accident cases causing safety hazards with the top three products being ‘stairs,’ ‘bicycles’ and ‘kitchen knives.’

(Note 1) Safety hazard related information: Information detailing cases where consumers suffered life-threatening or physical hazards from products or services.

(Note 2) Risk related information: Information detailing accident cases where consumers were subjected to risks that may have caused a safety hazard from products or services.

2 . Activities of NCAC

(1) Product tests

‘Health food products’ that contain ingredients claimed to ease joint pain

Over a period of approximately five years, PIO-NET has received 1,193 cases of consumer inquiries and complaints involving ‘health food products’ that contain chondroitin sulfate and/or glucosamine. Some consumers who raised such inquiries and complaints were concerned over the ‘quality and effectiveness’ of these products. They stated that they were ‘doubtful whether the product was really effective’ and/or they ‘needed to obtain detailed information about the ingredients used in the product.’ NCAC has accordingly investigated ‘health food products’ that contain chondroitin sulfate and glucosamine, which are claimed to be effective to ease joint pain, in order to look into the amount of these ingredients contained in a product. The findings are described below:

○ Amount of chondroitin sulfate

- Concerning the brands providing product labeling to indicate the amount of chondroitin sulfate, the actual amount contained was discovered to be significantly smaller compared to the amount indicated.
- Among 16 brands providing product labeling to indicate raw materials that contained shark-derived chondroitin sulfate, 6 brands were found to be highly likely to contain raw materials containing chondroitin sulfate that was actually derived from land mammals. 3 out of these 6 brands did not even indicate the names of the land mammal-derived raw materials and this may possibly conflict with the Japanese Agricultural Standards.

○ Product labeling

- While the majority of the brands subject to this product test provided product labeling to indicate the amount of raw materials containing chondroitin sulfate, it was difficult to identify the actual amount of

chondroitin sulfate itself and this is likely to misinform consumers that the amount of the ingredient is equivalent to or exceeds that generally contained in a pharmaceutical product.

- The majority of the tested brands provided descriptions and/or illustrations to claim that the product was effective to ease joint pain and this is likely to misinform consumers. Meanwhile, 8 brands emphasized the benefits of chondroitin sulfate and/or glucosamine.
- After looking into the advertisements of the tested 'health food products' appearing on internet sales sites that are not administered by the manufacturer or distributor indicated on each product, these advertisements were discovered to imply that the product had similar effects to those of a pharmaceutical product and this may breach the Pharmaceutical Affairs Law.

According to the above findings, NCAC provided advice to consumers to use a pharmaceutical product to ease a specific condition such as joint pain. NCA also requested the industry to improve product labeling so as to indicate the amount of chondroitin sulfate as well as the names of the raw materials used. Furthermore, NCAC requested the responsible governmental organizations to supervise the business owners of these products.

The capacity of 'magnetic water activators' to remove trihalomethanes

Since the Fiscal 2003, PIO-NET has received 4,650 cases of consumer inquiries and complaints involving 'magnetic water activators' and 534 of these cases were associated with the areas of 'safety/hygiene' and 'quality/performance/service quality.'

(A 'magnetic water activator' herein refers to an instrument that is claimed to 'activate water' and is designed to be installed by clipping it on to the tap or the water pipe externally so that a filter is not required.)

A large number of 'magnetic water activators' emphasize that filter replacement is not required (long-wearing). Many brands place advertisements to highlight that 'water will become smoother' when using the product though it is difficult to prove such an effect as it is a sensory matter. Some brands emphasize the product capability to remove toxic substances such as trihalomethanes (THM) to draw consumers' attention.

Under these circumstances, NCAC has looked into the toxic substance removal capability of two types of magnetic water activators: tap installation type (a total of 3 brands) and water pipe installation type (a total of 3 brands) that are advertised through internet mail order sites as effective in removing THM and other toxic substances. The findings are described below:

Product labeling/advertisements

When looking into advertisements concerning THM removal, some brands purposely used internet advertisements to imply such a capability while some brands stated on the manufacturer's home page that the product was effective in removing THM. Some brands provided internet advertisements stating that the product enabled the removal of the THM causative agents and/or the residual chlorine.

Removal of total trihalomethanes

As a result of a test using a test sample of water to see whether total trihalomethanes (TTHM) were able to be successfully removed, the concentration of TTHM remained the same before and after the installation of the tested magnetic water activators. This proves that these products are not capable of removing TTHM.

Impact on THM generative capacity

After looking into the particular two brands, which emphasized the removal of the THM causative agents instead of the direct removal of THM, in order to verify whether or not these products were capable of reducing tap water's THM generative capacity, it remained the same before and after the installation of these products.

Removal of free residual chlorine

As some brands provided advertisements on internet mail order sites that may possibly misinform consumers that the product was capable of dechlorination, these products were tested to verify their capability to remove free residual chlorine. As a result, the concentration of such chlorine remained the same before and after the installation of these products. This proves that these products are not capable of removing free residual chlorine.

According to the above findings, NCAC provided information for consumers to make them aware that a magnetic water activator is not capable of removing either THM or residual chlorine contained in tap water. NCAC also requested the industry to remove inappropriate advertisements and product labeling. Furthermore, NCAC requested the responsible governmental organizations to place exclusion orders on the unlawful business owners that provided such advertisements and product labeling.

Be aware of the potential risk of carbon monoxide poisoning when using an 'irori' table

In recent years, 'irori' tables, in the middle of which a fireplace is placed, have been available for purchase through the internet. Imitating a long 'hibachi' (charcoal brazier) which was a popular heating device in ancient times, these 'irori' tables use fuels such as charcoal or portable gas burners in the fireplace and are designed to be used as cooking equipment and/or attractive interior goods. Concerning these products, however, NCAC has learned of 43 accident cases from the Injury Information System. Some of these cases were triggered by incomplete gas combustion while some were associated with 'carbon monoxide poisoning' when using a charcoal based 'kotatsu' (fireplace with a coverlet) or when burning briquette. Under these circumstances, NCAC investigated irori tables available through the internet to examine the concentration of carbon monoxide within the room when burning charcoal. NCAC also looked into the product labeling to see if it contained any precautionary information. The findings are described below:

Carbon monoxide concentration measured while all of the windows and doors were shut

When charcoal was burning while all of the room windows and doors were shut, all the tested irori tables produced a lethal level of carbon monoxide concentration over a short period of time creating an extremely harmful environment.

Product labeling

All of the five brands subject to this product test had no product labeling although the supply of which is compulsory according to the Household Goods Labeling Law. Some of these brands provided no precautionary information to make consumers aware of the necessity of room ventilation and the potential risk of carbon monoxide poisoning.

According to the above findings, NCAC provided advice to consumers to ensure that they adequately ventilate the room when burning certain fuels such as charcoal and that they seek medical consultation immediately after feeling dizzy and/or nauseous and/or suffering a stomach ache. NCAC also requested the industry to provide handling precautionary information to warn consumers concerning the potential risk of carbon monoxide poisoning in compliance with the Household Goods Labeling Law and to provide product labeling to indicate the product quality including the outer dimension and the materials used on the surface of the top board.

'Health food products' containing alpha lipoic acid (including the current sales status of these products)

Alpha lipoic acid is a constituent found in pharmaceutical products that are used as injectable solutions. The 'Criteria to Regulate the Range of Medical and Pharmaceutical Products,' which was revised in 2004, now includes alpha lipoic acid in the 'List of constituent substances (raw materials) that are not deemed to be pharmaceutical products unless the effectiveness as a pharmaceutical product is later advocated.' As a result, this particular constituent is now widely used in what are called 'health food products.' Over a period of approximately five years, however, PIO-NET has learned of 35 cases of consumer inquiries and complaints regarding 'health food products' that contain alpha lipoic acid. Some of these cases demonstrated safety hazards such as 'had an irregular heartbeat after drinking the product' and 'became nauseous and had a stomach ache after consuming the product.'

Under these circumstances, NCAC carried out a product test targeting 17 brands that provide 'health food products' containing alpha lipoic acid in order to examine the amount of alpha lipoic acid contained; the constituent's level of solubleness in the stomach; and the product labeling. The findings are described below:

Amount of alpha lipoic acid

- As a science-based, safe and uniformed daily intake standard for alpha lipoic acid is not specified at present, all of the tested brands contained an amount of alpha lipoic acid that is so large that it would not be possible to consume such an amount through a normal diet.
- The amount of alpha lipoic acid indicated in some of the tested products was incorrect.

○ Product labeling

- A large number of the tested brands provided product labeling containing descriptions that could imply that the product had cosmetic benefits and/or was effective in maintaining sound health. This is likely to misinform consumers that they can take the product on an ongoing basis.
- Some ingredients, that are not recognized as nutrients according to the nutrition labeling standard specified in the Nutrition Health Promotion Act, were indicated on the product labeling in such a way that they could possibly be perceived as nutrients. These products may likely conflict with the above law.
- After looking into the advertisements of the tested 'health food products' appearing on internet sales sites that are not administered by the manufacturer or distributor indicated on each product, these advertisements were discovered to imply that the product had similar effects to those of a pharmaceutical product and this may breach the Pharmaceutical Affairs Law.

According to the above findings, NCAC provided advice to consumers not to excessively take any 'health food products' that contain alpha lipoic acid and, before purchasing or taking such a product, to seek appropriate advice from professionals, such as advisory staff who are specialized in these products and the ingredients contained within. NCAC also requested the industry to establish a science-based and safe daily intake standard for alpha lipoic acid; to improve product labeling; and to provide an improved sales system where an employee with specialized knowledge is engaged in the sales activities. Furthermore, NCAC requested the responsible governmental organizations to supervise the industry and establish restrictions and criteria applicable to these products.

(2) Surveys

Investment product multilevel marketing solicitations: those who have carried out a solicitation may possibly be subject to criminal charges.

The Financial Instruments and Exchange Law, which was fully enacted in September 30, 2007, imposes any business owners handling the equities of what is called a 'group investment scheme' (mutual fund) to register with the Financial Services Agency in order to ban any non-registered business owners from carrying out sales solicitations. The number of investment product related consumer inquiries and complaints handled by local consumer centers nonetheless remains high and one example of these cases is as follows: A consumer was told by a friend that it was possible to double the capital in a six-month period and the consumer accordingly concluded the transaction contract. The contract document however has not been provided and the consumer is becoming anxious about the whole affair.

In recent years, it is often the case that investment product related consumer inquiries and complaints are triggered by multilevel marketing solicitations. With these business methods, you are firstly told that you will be 'able to receive not only the dividend but also a referral fee if soliciting your friend to start the transaction.' You then solicit your friend in the same manner. In this way, the multilevel marketing business owner is able to not only receive money but also embrace an increasing number of those who solicit their friends (=investment product multilevel marketing solicitation). The problem is that damages triggered by such a business method tend not to come to light unless the business owner has been arrested or has become bankrupt. It is in general extremely difficult to regain your money while it may be possible in some cases where a counsel is organized to help the victims.

Under these circumstances, NCAC provided precautionary information for consumers highlighting the problems caused by investment product multilevel marketing solicitations.

○ Outline of consumer inquiries and complaints collected through PIO-NET

The number of consumer inquiries and complaints involving investment products was 10,067 over a period of five years. The recent trend shows a rapid increase in the number of consumer inquiries and complaints involving investment product multilevel marketing solicitations: 2,296 (approximately 63%) among 3,635 cases of investment

product related consumer inquiries and complaints in the Fiscal 2007 were associated with multilevel marketing solicitations.

○ Problematic areas that came to light based on consumer inquiries and complaints

- When a person, who has become a part of multilevel marketing, carries out a solicitation as a non-registered business owner, he/she may possibly be subject to criminal charges and is highly likely to be deemed as having acted in conflict with the Financial Instruments and Exchange Law.
- Assertive sales talk, including 'capital will be doubled in a six-month period' and 'the fixed gain is provided,' is used though it is uncertain that any profits will be obtained. In some cases, consumers suffered from misrepresentation where things not based on fact were told.
- Some cases are suspected to involve fraud and/or an endless multilevel marketing scheme as the business owner received money but carried out no investment or management or, even if part of the capital was used for the purpose of investment, the percentage used was very small and it was obvious that the business owner's major intention was dividend distribution.

Consumer issue involving paid warranty services for mobile phones

NCAC was contacted by a SoftBank mobile phone user who had signed a contract to be able to use a particular mobile phone warranty service. The consumer complained that the 'the warranty service contract details were altered in a one-sided manner and the consumer had no choice but to use a different warranty service.' The consumer 'did not feel happy with the company's handling of the matter.' Specifically, a replacement of the mobile phone exterior was to be free of charge under the original contract which detailed a warranty service called the 'Super Anshin Pack.' Nevertheless, the consumer is now obliged to pay 20% (approximately 3,150 yen) of the replacement fee with a new warranty service called 'Anshin Hoshu Pack.'

NCAC accordingly sent a document containing a number of requests to SoftBank Mobile Corp. (hereinafter 'the company') to improve the situation and had several discussions with the company concerning the fact that the company had failed to make the users, who had concluded a contract for the 'Super Anshin Pack,' fully aware of the change of the warranty service contract details and that the change would place them at a one-sided disadvantage (the number of users who concluded a contract for the 'Super Anshin Pack' was approximately 490,000).

As a result, the company admitted that it had failed to make the users fully aware of the change in advance. NCAC accordingly revealed the company's handling of this matter to consumers.

○ The requests made by NCAC to the company

As regards users who signed a contract for the 'Super Anshin Pack,' the company must guarantee a free replacement of the mobile phone exterior on an ongoing basis as it was stated in the original contract. Users must also be made fully aware of any changes on an individual basis in order to gain their consent before the original contract details can change and a different warranty service can apply instead.

○ The response from the company

The company admitted that it had failed to make the users fully aware of the change in advance. It assured that it would follow NCAC's requests such as re-explaining to the users concerning the change; seeking their consent; and refunding the charge paid for a mobile phone exterior replacement.

By taking the above into account, NCAC provided advice to SoftBank mobile phone users to examine the notification that is to be sent by the company and, if the company fails to fulfill its obligations, to consult with a local consumer center.

Consumer contracts signed by those with impaired judgement (focusing on consumer inquiries and complaints involving elderly people suffering from dementia)

Every year, local consumer centers receive a large number of consumer inquiries and complaints involving consumer contracts signed by those who are not able to make an appropriate judgment due to a disorder such as

mental and/or intellectual disorder and/or dementia (hereinafter 'consumer inquiries and complaints involving those with impaired judgement'). Under these circumstances, while placing a particular focus on the consumer inquiries and complaints as well as case examples in which elderly people suffering from dementia were involved, NCAC analyzed consumer inquiries and complaints involving those with impaired judgement; especially cases in which the elderly at an age of 70 or older were involved. NCAC then provided precautionary information to consumers. The outline of this analysis is described below:

- According to the number of consumer inquiries and complaints raised in each financial year, there was a significant jump to 12,607 cases in the Fiscal 2005, five times larger than that in the Fiscal 1998 which was 2,409.
- According to the age groups of people who signed a consumer contract, over 60% of the total were the elderly at an age of 70 or older. It is thus clear that the number of cases involving the elderly with dementia is extremely high among cases involving those with impaired judgement.
- According to the sales/purchase status, sales/purchase through door-to-door sales demonstrated the largest percentage which is approximately 75% of total cases involving the elderly at an age of 70 or older. It is hence revealed that the elderly suffering from dementia are highly exposed to problematic door-to-door sales solicitations.

Based on the above findings, NCAC provided advice to families, friends and acquaintances of the elderly on how to be of support on a day-to-day basis such as by organizing activities to protect the elderly and utilizing the adult guardianship system.

Injuries/fatal injuries suffered by the elderly at home (based on the safety hazard related information collected by cooperating hospitals): Burns are the top cause of death.

NCAC works hand-in-hand with twenty cooperating hospitals located throughout the country to collect safety hazard related information. The safety hazard related information covers accident cases in which a consumer suffers an injury caused by a product, facility and/or service. The information is compiled into a computer database and is utilized for NCAC's Injury Information System. On this occasion, NCAC carried out the latest analysis of injuries/fatal injuries that were suffered by the elderly at home over a period of five years. The findings are described below:

- Characteristics of injuries/fatal injuries suffered by the elderly at home
 - The number of accidents that took place at home involving the elderly at an age of 65 or older was 4,138 (accounting for 63.3% of the total accident cases involving the elderly in the same age group). The percentage of accidents that took place at home went up by age.
 - The most common accidents involving the elderly were falls which took place while an elderly person was performing simple daily routines such as walking up and down stairs and/or walking on the floor.
 - The elderly tend to suffer injuries to the head and/or thigh and/or broken bones which take a long time to heal and/or the condition can become more serious due to their old age.
 - Three quarters of fatal accidents were caused by burns which are the top cause of death.
 - There are a remarkably high number of accidents where an elderly person fell while working in an overhead location such as on a roof or ladder.

Be aware of products using laser pointers that may be illegal and are nevertheless still available for purchase

In March 2008, NCAC investigated a number of illegal products containing a laser pointer in response to increasing consumer inquiries and complaints involving these products. NCAC then requested the Ministry of Economy, Trade and Industry to take immediate administrative action to improve the situation and provided precautionary information for consumers. As a result, the sales of these products were suspended and recalls were then performed.

In August, however, consumer inquiries and complaints involving products that contained a laser pointer were

raised again. NCAC accordingly carried out a close examination on eight brands, which were suspected of using a laser in their product, in order to verify the legality of these products. As a result, all of these brands were likely to conflict with the applicable laws and regulations. NCAC requested the Ministry of Economy, Trade and Industry that is responsible for supervising these products to improve the situation once again.

The products that were discovered to be illegal on this occasion are priced cheaply and are thus highly accessible for children. NCAC provided advice to consumers to ensure that they will not purchase or use such a product.

A mobile phone contract resulted in large bills: Consumers themselves may possibly be subject to criminal charges

Local consumer centers have been receiving consumer inquiries and complaints involving mobile phone contracts. One example was when a consumer 'was convinced to conclude a mobile phone contract while having a part-time job interview and later received large bills.' A total of 167 cases of these consumer inquiries and complaints were raised from the Fiscal 2006 to 2008 and 70% of those who signed such a contract were young people aged from their teens to twenties. By occupation, students and the unemployed demonstrated a high percentage and the average contract sum was approximately 450,000 yen.

It is difficult to recover damages if the consumer him/herself is the nominee of the mobile phone. Furthermore, as these mobile phones are designed to be used by people other than the consumer him/herself, they may be used for a variety of criminal purposes and the consumer may also be deemed to have taken part in the crime. NCAC provided precautions to consumers in order to ensure that they will never sign such a contract.