



NCAC NEWS

*From
National Consumer Affairs Center of Japan*

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* For further details regarding each topic introduced below, refer to the following URL which contains the actual text of the reports released (PDF files) (Japanese only):<http://www.kokusen.go.jp/news/news.html>

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* Major abbreviated names: ADR: Alternative Dispute Resolution
NCAC: National Consumer Affairs Center of Japan
PIO-NET: Practical Living Information Online Network System

I. Injury/fatal accident

1. Be aware of burns among children due to electric kettles being accidentally tipped over

Overview of Accidents

There have been a number of reports about children getting burnt due to electric kettles used for boiling water toppling or falling over.

Cases where children get burnt by hot water sometimes lead to serious health problems.

As an appliance for boiling a small amount of water, electric kettles are commonly used because of the short amount of time needed to boil water compared with electric jars/pots that come with a thermal insulation function. Thorough understanding of the product's functions and sufficient caution are necessary when using this type of appliance.

The Consumer Affairs Agency has data on 15 cases of burns caused by toppled electric kettles that were treated at the participating hospitals in the Medical Institutional Network Project (as of the end of Oct. 2012) and one similar

case has also been registered in the Accident Information Data Bank. In addition, two other cases have been reported in the Injury Alert of the Japan Pediatric Society.

Accident Cases

Case 1: An electric kettle placed on the floor was knocked over

I was using an electric kettle placed on the floor. The baby must have knocked it over while crawling around. When the family heard the baby crying, they saw that he had been burnt by the hot water from the kettle.

(Moderate burns to the face and chest, age: 0, occurred in Nov. 2011)

Case 2: The cord of an electric kettle was pulled and the kettle tipped over

I had an electric kettle along with a rice cooker on a pull-out kitchen shelf. The baby must have pulled the cord of the kettle when the shelf was sticking out from the cabinet. The baby's legs were burnt by the spillage from the kettle which fell off the shelf.

(Mild burns to the legs, age: 1, occurred in Nov. 2011)

Case 3: A child tripped over the cord causing the electric kettle to fall

An electric kettle full of hot water fell over after the child's foot got caught in the cord. The child was burnt by the hot water.

(Mild burns to the chest and back, age: 8, occurred in Aug. 2011)

Advice for Consumers

Compared with adults, children have a smaller body surface area and thinner skin, thus burns tend to be more serious. (From the No.28 Injury Alert "Scalding caused by electric kettles" by the Japan Pediatric Society)

- ① Do not leave an electric kettle anywhere that is within reach of children such as on the floor in case children comes into contact with it and knocks it over.
- ② If the electric kettle is holding only a small amount of water, it may be light enough for a child to knock it over, so care should be taken. Hot water should never be left forgotten in a kettle.
- ③ When purchasing an electric kettle, consider whether there will be children in the location where the product is likely to be used and select a product that is equipped with a safety system such as a leak proof design.

II. Property damage

1. Be wary against "pressure sales fraud"!

- Scams have become even more devious! More malicious!

The theatrical ploys behind new types of fraudulent get-rich-quick schemes -

Overview of Inquiries

Among reported troubles with financial instruments, a vast number of cases in recent years have involved fraudulent get-rich-quick schemes using unlisted stocks that are mainly targeted at elderly people. A wide range of financial products that are based on fraudulent schemes have been making an appearance. These include unlisted stocks, dubious corporate bonds (*1) and problem funds (*2). Aside from this, there has been a particular increase in cases of "dubious rights transactions(*3)" involving unknown financial instruments.

One of the reasons why such schemes have been a persistent problem is the higher degrees of complexity and malignancy of the so-called "theatrical ploys" that may also be described as "pressure sales fraud".

(*1) "Dubious corporate bonds" include the following:

- (1) Direct contract with the issuing company without the involvement of any financial institution
- (2) Misleading promotions such as "guarantee on principal" or sudden and frequent telephone calls from unknown companies interested in purchasing things

(3) Unknown or non-existent companies from which the corporate bonds are issued

(*2) Funds for qualified investors are a particular cause of trouble. For details, please refer to the URL below.

“Trouble regarding investment contracts for complex or sophisticated funds: Funds for professionals (notification required businesses) often sold to consumers through theatrical sales techniques”

http://www.kokusen.go.jp/e-hello/data/ncac_news23_1.pdf (NCAC News Vol.23 No1 p.9)

(*3) Instances including the rights to water resources, the right to use a nursing home, mining rights, land rights and the right to operate a facility that utilizes natural gas. For details, please refer to the URL below.

“A rapid increase in "water resource rights," a new type of problematic investment”

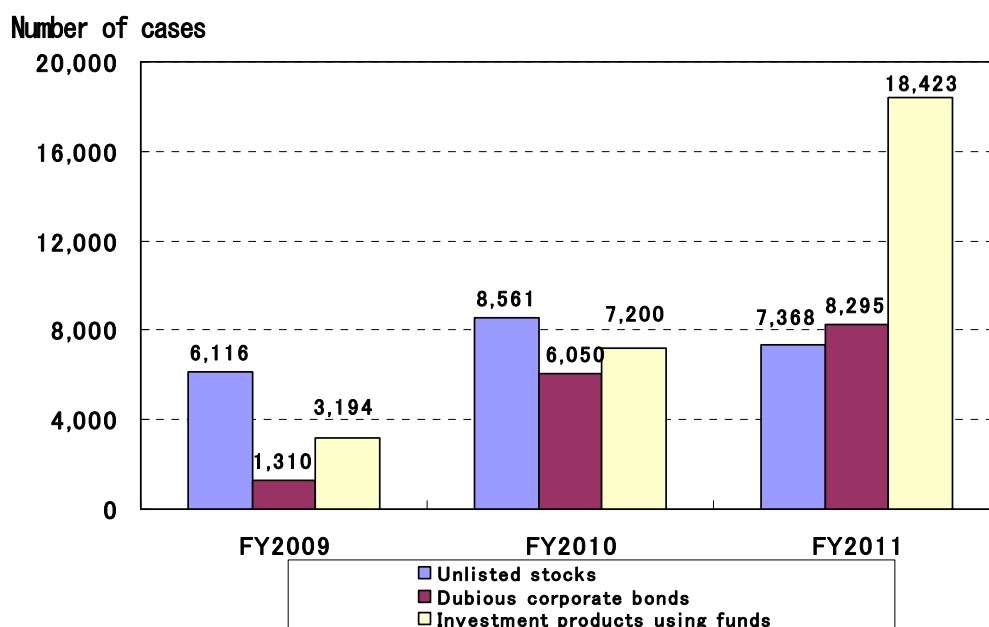
http://www.kokusen.go.jp/e-hello/data/ncac_news23_1.pdf (NCAC News Vol.23 No1 p.12)

“This time it's "Land Use Rights in Cambodia" Continuation of Theatrical Soliciting

- Beware of any Talk of Investment in "Resort Land" or "Farming Land" -”

http://www.kokusen.go.jp/e-hello/data/ncac_news24_2.pdf (NCAC News Vol.24 No2 p.8)

<Graph1> Number of cases regarding unlisted stocks, dubious corporate bonds and investment products using funds by fiscal year



Example Cases of Inquiries & Complaints

Case 1: "The proxy application type" Was told I could just make an application without having to pay for anything

One day I received a sudden telephone call from a company I never heard of (hereafter referred to as Company B) asking me if I had received a green envelope. I felt dubious about the call so I just hung up. A few days later, a green envelope came in the post which had a pamphlet in it. The pamphlet had information about purchasing corporate bonds from Company A, which was a company that was said to be dealing in rare earth. The envelope also contained an application for the bonds.

Later, Company B said to me, "There is a trading merchant who is interested in buying corporate bonds from Company A, a company that is soon to be listed. Only those who received the pamphlets can purchase the bonds and if you are not interested in the bonds, please let us use your right to purchase." Company B also gave me an explanation that there is no need for me to arrange any payments because the merchant will take care of it. If I were to purchase the bonds, they told me they would give me 30,000 yen for buying bonds at 200,000 yen/unit. They then said that they want me to buy 50 units. At first, I turned down the offer but after thinking more, I sent an application by

FAX, hoping to get some money out of the deal.

However, after my application was made, Company A told me, "Following an inspection at our company, it was pointed out that the nominee and payer of bonds need to be the same person. As a result, we have had to return the full sum of money to the trading merchant. We would like you to make a payment on our behalf. Once the merchant is back from abroad, we will pay you back." Having been told this, I paid two million yen in total into the account designated by Company A. Afterwards, I became worried if my two million yen would really be paid back and told the police about this case and they advised me to get in touch with a local consumer center. I want my money back. (Inquiry from a man in his 60s)

Case 2: "Fraud through threats" Whenever one tries to cancel their application because they have doubts, they are threatened.

In the past, I signed a fund contract after receiving a multi-level marketing sales talk and consequently lost three million yen.

One day I got a call from Company B out of the blue and they said, "You can still recover your losses. Secret company assets worth 40 billion yen have been found in a bank account in Chicago and it is going to be shared amongst all of us. In order to get a dividend, you need to become our partner by paying 600,000 yen. We will pay the fee of 600,000 yen but you need to call Company A to apply for the partnership." I rang Company A hoping to get my lost money. Company A explained to me that I need to send the application form provided by FAX back to Company A after filling out all the required fields.

But the form was in fact an application for a new fund scheme despite what Company B had told me. It also mentioned "120,000 yen/unit and a minimum of five units" which made me feel dubious. I also sought advice from my local consumer center and I decided not to apply for it. When I called Company B to tell them of my decision to opt out, they said, "We have already paid the fee to Company A. If you wish to opt out, pay us the fee of 600,000 yen or we will take the matter to court which will be more costly for you." Such a threat made me scared and I ended up sending the application form to them by FAX. I haven't paid the money yet and I want to cancel the contract.

(Inquiry from a woman in her 60s)

Case 3: "The non-transfer type" Pressure to pay by mail or in person to avoid records of transactions

A pamphlet regarding the right to gold mines was sent to my mother who does not live with me. Later, many people tried to persuade her, through multiple calls, into buying rights mentioning big dividends and other benefits. It seems that she has paid a total sum of 14 million yen by mail or through handing the money over to the business people that visited her house. They instructed her to contact them by phone after purchasing envelopes for postal delivery. Once she had done this, they dictated to her the mail address to write down on the envelope. As a result, there is no record of the receiver's address. When she told them that there is no money left to give, they asked her to cancel her insurance or borrow money from her daughter. I finally became aware of this issue when she came to me for money. We sought help from the police and some officers came to investigate my mother's house. I heard that they took photos and notes about the received calls. They also apparently told her that since there is no evidence of the delivery of the money due to it being carried out by mail or by hand, there is not much they can do, but that they will respond as best they can. Her memory is also unreliable. Moreover, she is confused because she was told a number of different things by the business people. I want my money back. (Inquiry from a woman in her 70s)

Case 4: "The uprooting type" Attempts to steal all one's possessions by making them borrow money even against their house

I received a pamphlet from Company A that specialized in the development of hydrogen energy. Later, Company B, which claimed to be a broker, called me and asked, "Only the 49 people who received a pamphlet from Company A can buy their corporate bonds. Can you buy them at 200,000 yen/unit for us? If you agree to do it, we will buy them off you for 480,000 yen/unit." I turned their offer down but they persistently called me. I said, "I do not have the money." to which the people from Company B responded with "We have booked 20 units which are worth of four million yen. We will pay 3.8 million yen." I thought the cost of one unit wasn't much so I paid 200,000 yen for them.

Afterwards I received a call from another broker, Company C, who said "We will buy the bonds off you for 780,000 yen/unit. Some major car manufacturer is going to start a hydrogen automobile venture and rich people in Tokyo are showing interest in buying the corporate bonds." I paid 1.6 million yen for eight units. Later they also asked me to pay money for two reserved units, so I paid 400,000 yen. At the time of another call promoting the bonds, I told them that I have no money left and refused. They then taught me how to use property as collateral and introduced me to a money lender. I rang up the money lender and applied for a loan of three million yen. My family found out about this and told me that I have been conned. I have informed the consultation service of this. What should I do?
(Inquiry from a man in his 70s)

Advice for Consumers

- ① Refuse to listen to an agent who prompts you to contract with another agent for buying financial instruments and rights, and offers to buy them from you at a higher price.
- ② Never make such payments consult a local consumer center immediately
- ③ Keep senior citizens around you in mind

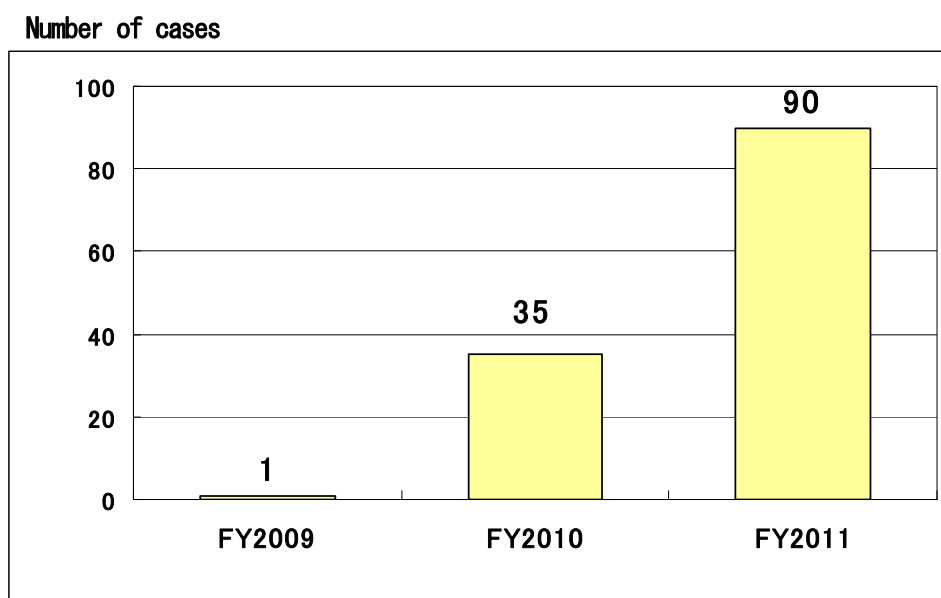
2. Getting your purchase only after reaching the age of 105!? Increasing troubles around prepayment in installments for deals involving gold and ingots - Be wary of reserve-type gold trading promotions carried out through door-to-door sales or telephone solicitations -

Overview of Inquiries

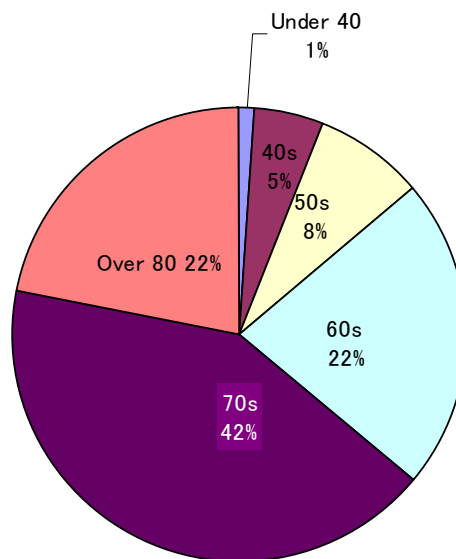
Local consumer centers across Japan have received inquiries regarding purchase contracts for gold and ingots. In such cases, many have signed a contract for prepayment in installments over extended periods of time after receiving door-to-door sales or telephone solicitations in which they were told, "It is wise to buy gold now." or "This will undoubtedly increase in value as the price of gold is going up."

The details of these cases include signing a contract without knowing that it is a long-term payment of a huge sum and the money returned upon the termination of the contract being unreasonably small. The number of such inquiries has been increasing.

<Graph 2> Number of inquiries & complaints by fiscal year



<Graph 3> Number of cases classified by the age of the contractors



Example Cases of Inquiries & Complaints

Case 1: I did not know that I had agreed to a long-term prepayment of a huge sum. The cancellation fee of two million yen is simply unreasonable.

I was recommended to buy gold by a man who came to my house and he appeared to be a sales person. I had previously bought gold and thought he was a nice person, so I decided to purchase some gold. Not understanding the contract details well, I filled out every field of the contract form as instructed by this man. After handing about five million yen over, I started wondering where the gold was stored, so I told my family about this. When they checked the contract, it turned out that the five million yen is in fact a deposit of sorts and the remaining sum needs to be paid in monthly installments of 60,000 yen over the next 25 years. Unless I pay the full amount, which is more than 20 million yen, I cannot receive the gold. I did not know that I had agreed to such a costly, long-term contract so I proceeded to cancel my contract, only to be told that my money would be returned on the condition that I pay two million yen as a cancellation fee. This is simply unreasonable. (Inquiry from a woman in her 80s)

Case 2: Told that the price of gold would double in half a year and signed a contract, but did not understand the details and wants to cancel the contract

A month ago, my mother who lives by herself agreed to a contract to buy gold and ingots after receiving a visit from a door-to-door salesperson. The contract sum amounts to about 20 million yen in total and there is also a two million yen processing fee for the contract alone. The sum is payable in installments over the next 25 years which means when my mother can finally receive the gold, she will be over 100 years of age. It seems like she was told by the business person, "The price of gold will become double what it is now in half a year. It's best to get it while it's cheap." My mother has shown signs of impaired judgment and she clearly does not understand the contract details. She has paid about four million yen on the day the contract was made, but she wants to cancel the contract and get her money back. (Inquiry from a woman in her 70s)

Case 3: A man came to my house to tell me that my water filter dealer went bankrupt. I signed a contract without understanding the details and I am not sure if I can trust the company.

A few years ago, I purchased a water filter on a sales visit. A few days ago, a business person visited me saying, "Your water filter company has gone bankrupt and has handed over their business to our company. So I'd therefore like to replace your filter." I unsuspectingly let him in. After completing the work, he asked me how I manage my

money and I even showed him my papers from financial institutions such as my account statements and balance. The person told me that a profit can definitely be made on gold and that buying gold is better than saving my money with my bank. I took him at his word and signed the provided paper without understanding the details. The next day, I was driven to the bank in their car and I withdrew my fixed-term deposits. I have paid about four million yen in total and I am not sure if I can trust this company. (Later it was confirmed at the consultation service that this contract requires prepayments over 25 years that total about 20 million yen.) (Inquiry from a woman in her 70s)

Advice for Consumers

- ① Be alert to contract details in which you receive products following the completion of long-term payments. Be fully aware of the risks of this and think twice before making such an agreement. Check the details of contracts thoroughly before signing anything. If there is anything that needs confirmation or you cannot understand, do not agree to the contract.
- ② Do not hesitate to say no if you have no intention of agreeing to a contract even when you receive telephone solicitations or sales visits.
- ③ It is important for families and close friends/neighbors to look out for elderly people on a daily basis.
- ④ If you run into problems, consult your local consumer center.

3. Forced delivery of products that were never ordered!

Instances of dishonest sales methods of health foods targeting elderly people have been increasing!

Overview of Inquiries

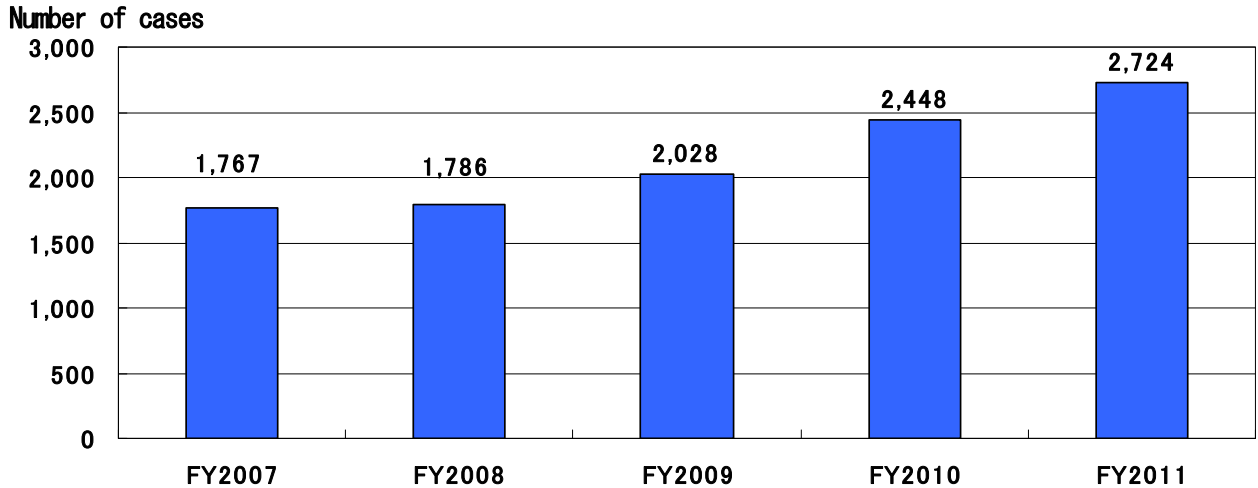
An increasing number of inquiries about the forced delivery of health foods have been reported.(*1) This type of fraudulent scam has often occurred following a sudden call mentioning the receipt of orders for products which were actually never made, even though customers had previously refused to receive the products simply because they did not remember buying them. The number of such cases has continued to rise since 2007 and as of 15 Oct. 2012, more than 1,900 cases have been reported during this fiscal year which is 1.6 times higher than at this time last year. In June 2012, the National Consumer Affairs Center of Japan issued warnings through issue No.138 of "Consumer Protection News"(*2), however there appears to have been no decrease in the amount of such troubles. In the majority of inquiries, elderly people (*3) were the victims and they often seem to have given in to purchasing products they never ordered after being pressured with claims of "You ordered it so pay up". Many such cases involve the targeting of elderly people who have impaired judgment and memory.

(*1) A fraudulent business practice whereby products are sent by forced delivery and consumers are tricked into feeling responsible for paying for what they have received. This practice is commonly referred to as a forced delivery scam or "negative option".

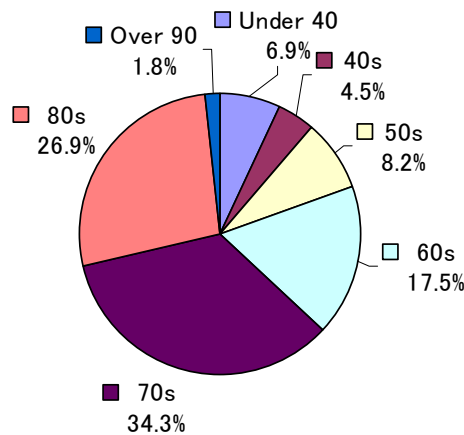
(*2) reference: http://www.kokusen.go.jp/mimamori/mj_mailmag/mj-shinsen138.html

(*3) People who are over the age of 60

<Graph 4> Number of inquiries & complaints by fiscal year



<Graph 5> Number of cases classified by the age of the contractors



Example Cases of Inquiries & Complaints

Case 1: I had a call from a business person claiming that they had received an order from my mother who has dementia. When I contested this, they insulted me.

My mother has dementia and has been certified by the government as in need of care. Today I received a call from a health food dealer and he told me that my mother had previously made an order for a health food product that costs 50,000 yen. My mother has dementia and even though she can still answer the telephone, she does not have the ability to ring up a teleshopping company and order their product. So I told the man, "My mother is ill and she does not have the ability to call and order a product by herself. Do not try to trick us like that." Then the man replied, "How dare you say that when I was kind enough to call you. After all, it is you that made the order in the first place." Since my mother has not ordered anything, I told him not to send us anything. In the end, he insulted me and hung up. I don't know what I should do when the product arrives. I do not know the contact details of the company either.

(Inquiry from a woman in her 80s)

Case 2: When I refused to accept their product because I did not remember having made any order, they threatened me saying they would come to my house with five lawyers.

Today I received a call from a business person who told me that they would send me supplements with cash on delivery. He also told me, "We have received an order by telephone from you and we have your voice recorded." So I told him, "I have not requested anything, nor do my family remember purchasing anything so I cannot receive your product." to which they responded with "If you do not receive this, we will charge you for the transportation and packaging fees." I am a pensioner and there is no chance that I would buy supplements that cost 75,000 yen in total. When I refused to receive their product again, they threatened me by saying they would come to my house with five lawyers and charge me for their travel expenses. I have asked for their number many times but they did not give me one. What should I do?

(Inquiry from a man in his 70s)

Case 3: No company name or contact details given, even after asking

There was a call from a company and they told me, "We have made the health foods you ordered last month. We will send them to you." However I do not recall ordering anything. They told me that someone in my family must have contacted them and made an order, otherwise they would not know my address or my name. But nobody in my family ordered anything. I was receiving treatment for an illness in hospital until last month. I have been on medicine provided by the hospital so I have no reason to order health foods. Whenever I ask for their company name, address or number, they refuse to tell me anything. I think this is strange. What should I do?

(Inquiry from a man in his 80s)

Advice for Consumers

- ① Do not hesitate to refuse if you do not remember ordering anything nor intend to buy anything.
- ② If you have unknown products are delivered to you:
 - (1) In the case of forced delivery despite having previously turning it down, refuse to take the delivery of the product.
 - (2) In cases of agreement established through telephone solicitations, the cooling-off system can be applied.
- ③ Avoid using health foods for the sole purpose of curing diseases.
- ④ For people who live close to elderly people: Look out for them in case they encounter trouble
- ⑤ In the case of problems, consult your local consumer center immediately.