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Class XII Business Studies Notes

CONSUMER PROTECTION

Key Notes and Important Questions with Answers

CHAPTER -12

CONSUMER PROTECTION

Protecting consumers from unfair trade practices, adopted by the producers and sellers of goods and services is termed as consumer protection. It not only includes educating consumers about their rights and responsibilities, but also helps in getting their grievances redressed. Generally consumers are explaited by (1) Adulteration (2) Poor quality etc.

Importance of Consumer Protection

(from Consumer's point of view)

1. **Consumers' Ignorance :** Majority of consumers are not aware of their rights and reliefs available to them as a result of which they are exploited.

   In order to save consumers from exploitation, consumer protection is needed.

2. **Unorganised Consumers :** In India consumers are still unorganised and there is lack of consumer organisations also, thus consumer protection is required.

3. **Widespread Exploitation of Consumers :** Consumers are exploited on large scale by means of various unfair trade practices and consumer protection is required to protect them from exploitation.

Importance of Consumer Protection

(from the point of view of Business)



Traditional Approach

Caveat Emptor

(Let the buyer beware)

Modern Approach

Caveat Venditor

(Let the seller beware)

Market- Consumer=Zero

1. **Long term Business Interest :** It is always in the interest of the business to keep its customer satisfied. Global competition could be won only after satisfying customers. Satisfied customers lead to repeat sales and help in increasing customer base of business.

2. **Moral Justification :** It is the moral duty of any business to take care of consumer interest & avoid any form of their exploitation & unfair trade practices like defective & unsafe products, adulteration, false and misleading advertising, hoardings, black marketing etc.

3. **Business uses resources of society:** Every business uses the resources of the society and thus it is their responsibility to work in the interest of the society.

4. **Social Responsibility :** A business has social responsibilities towards various groups like owners, workers, government, customers etc. Thus, customers should be provided qualitative goods at reasonable prices.

5. **Government Intervention :** If a business engages in any form of unfair trade practices then government takes action against it, which adversely affects its goodwill.

CONSUMER PROTECTION ACT, 1986 (CPA, 1986)

Meaning of Consumer

Consumer Protection Act 1986 was introduced to make consumers aware about their rights and to give them legal protection. According to it consumer is defined as follows.

1. Any person who buys any goods for a consideration. It includes any user of such goods with the approval of the buyer. But it does not include a person who obtains goods for resale or any commercial purpose.

2. Any person who avails any services for a consideration. It includes any beneficiary of such services but it does not include a person who avails such service for any commercial purpose.

Meaning of Consumer Protection

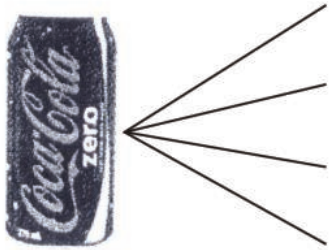
CPA, 1986 defines consumer protection as

1. To protect and promote the interest of consumers by recognising consumer's rights such as right to safety, right to be informed, right to choose, right to be heard, right to seek redressal and right to consumer education.
2. To provide for a simple, speedy and inexpensive redressal of consumer grievances by setting a 3-Tier enforcement machinery.

Rights of a Consumer

Consumer Protection Act, 1986 has provided six rights to the consumers, which are as follows:

1. **Right to Safety:**Consumer has the right to be protected against products, & services which are hazardous to health & life (should use ISI marked electronic devices.
2. **Right to be Informed:**Consumer has right to have complete information about the product before buying it.



Manufacturing Date (20th Aug., 2016)

Price (Rs. 35)

Quantity (330 ml)

Expiry Date (Best before Jan., 2017)

3. **Right to choose:**Consumer has a right to choose any product out of the available products as per his own decision making.
4. **Right to be heard:** Consumer has the right to file a complaint to be heard in case of dissatisfaction with goods or services (use of grievance cell)
5. **Right to Seek Redressal:**Consumer has the right to get relief in case the product or service falls short of his expectations or is dangerous. He may be

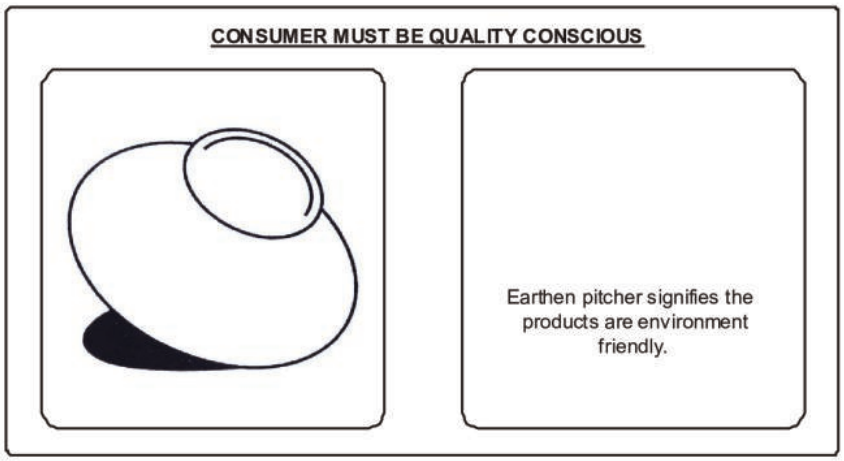
provided with replacement/removal of defect or compensation for any loss. Various redressal forums are set up by the Govt. at National and State level.

6. **Right to consumer education:** Consumer has the right to acquire knowledge and to be well informed throughout life. He should be made aware of his rights and reliefs available to him in case of the product or service falls short of his expectations. The Govt. of India has included consumer education in the school curriculum & is making use of media to make consumers aware of their rights.

Responsibilities/Duties of a Consumer

1. **Consumer must exercise his rights:** Consumers must be aware of their rights with regard to the products or services they buy from the market.
2. **Consumer must be a Cautious consumer:** While buying a product or services, a consumer should read labels carefully.
3. Consumer must file a complaint in an appropriate forum in case of any shortcoming in product/service availed.
4. Consumer must insist on cash memo i.e a proof of purchase is required to file a complaint.
5. Consumer must be quality conscious. He should ask/look for ISI mark on electric goods. FPO mark on food products, Hall mark on jewellery etc.





6. Consumer must bring the discrepancy in the advertisement to the notice of the sponsor.

7. Consumer must exercise his legal right. If any of these rights is violated by manufacturer or seller, the consumers must file a complaint with the legal machinery constituted under CPA, 1986.

QUESTIONS FOR PRACTICE

Q1. Sonu purchased a medicine from 'Alpha Medical stores' for his wife who had stomach pain. But even after giving the medicine, wife's condition did not improve and she had to be admitted to a nearby hospital for treatment. Doctors on examination found that the medicines given to sonu's wife were spurious. Sonu complained about this to "Alpha Medical Store'. As a result Alfa medical decided to file a complaint against the manufactures in the consumer court. Can Alpha Medical store lodge the complaint?Give reason. (1)

Q2. Neha's elder brother purchased "I Phone 6 - Apple" mobile phone for Rs. 65,000 without cash memo from one of his friend-an authorised dealer with a guarantee that the mobile phone will be replaced with a new one if any of its parts become defective within 1 year from the date of purchase. Within 1 month, the mobile stopped working. When Neha's brother approached his friend for replacement of mobile, he refused. Name the redressal agency under the consumer protection act where Neha's elder brother can file the complaint. (1)

Q3. Rama, who was a vegetarian, went to a bakery and bought a vanilla cake. On reaching home. She found that it had non-vegetarian content. Neither the advertisement nor the packaging of the product displayed that the product had non-vegetarian content. Will Raman be able to claim compensation? Which right is violated here? (1)

THE SALIENT FEATURES AND PROVISIONS OF CONSUMER PROTECTION ACT, 1986

Who Can File A Complaint Under CPA, 1986

A complaint before the appropriate consumer forum can be made by:

1. Any consumer.
2. Any registered consumer association.
3. The central or state government.
4. One or more consumers on behalf of numerous consumers having same interest.
5. A legal heir or representative of a deceased consumer.

Against whom can a complaint be filed?

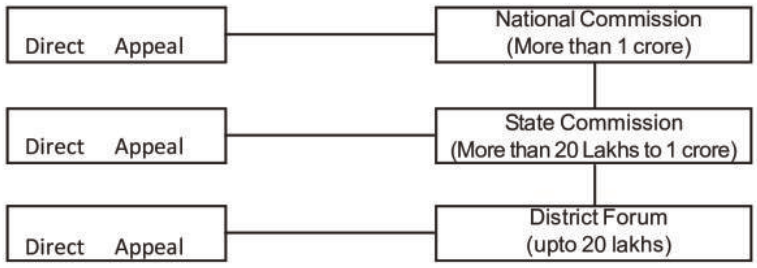
Consumer Protection Act, 1986 is applicable to all types of undertakings, whether big or small, private or public, or in co-operative sector, manufacturer or a trader, wholesaler or retailer, supplying goods or providing services.

Thus, a complaint can be filed against:

1. The seller, manufacturer or dealer of defective goods. Defect means any fault, imperfection or shortcoming in the quality, quantity or purity of goods.
2. The provider of services if they are deficient in any manner. Deficiency means any imperfection, shortcoming or inadequacy in the quality, nature and manner of performance of services.

REDRESSAL AGENCIES UNDER CONSUMER PROTECT ACT, 1986

For the redressal of consumer grievances the act provides a three–tier machinery as:



REDRESSAL AGENCIES

	District forum	State Commission	National Commission
Set Up	By state Govt	By state Govt.	By central Govt.
Memebrs	President = 1 other members =2 (atleast one member should be woman)	President =1 other members = atleast two) (Atleast one member should be female)	President = 01 other members = atleast four (Atleast one member should be female)
Value of complaint (Direct appeal)	Upto Rs. 20 lakh	More than Rs. 20 lakh and upto Rs. 01 crore	More than Rs. one crore
Complain handling procedure	Receiving complaint →Information to opposite party → sending sample of goods to laboratory for test → If goods are defective → Appropriate redressal to aggrieved party in form of replacement, compensation etc.	Same procedure as in district forum	Same procedure as in District forum
Re-appeal	Within 30 days of decision to state commission	Within 30 days of decision to national commission	Within 30 days of decision to supreme court

Note: Cases which are filed directly in state or National comminion can be re-appealed till Supreme Court. The cases which are filed in District forum are finalised till national commission only and cannot be dragged to Supreme Court .

Q.1 Mukul purchased a diesel for Rupees 30 lakhs from an Automobile company company and found it being defective. Despite many complaints the defect was not rectified. He filed a complaint in the state commission but was not satisfied with the order. Where can be appeal and in how many days.

Ans. National Commission within 30 days of passing of the order of State Commission.

Q.2 Prabhakar purchased an ISI Mark electric Iron from Bharat Electricals. While using he found that it was not working properly. He approached the seller and complaint for the same. The seller asks the manufacturers to replace this Iron. The manufacturer refused to do so and Bharat Electricals decides to file a complaint in the Consumer Court.

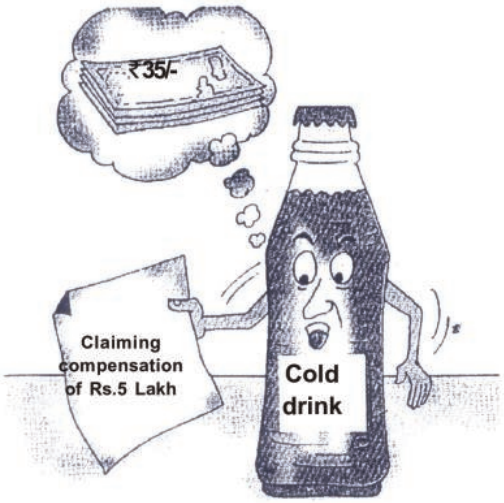
(i) Can Bharat Electricals do this? Why?

(ii) Who can file a complaint in this case?

(iii) Name the Consumer right that can be exercised.

(iv) Name the values "lacking" in the manufacturers in this case.

Q3. Name the Consumer Court where the complaint will be filed by the consumer.



Q4. Naresh purchased a 'BMW' car for Rs. 50,00,000 on instalments. He found that the engine of the car was defective. Despite many complaints to 'BMW Motors', the defect was not rectified. He filed a complaint in state commission but was not satisfied with its order. Where can he appeal and within how many days?

Q5. A farmer purchased seeds worth Rs. 20,000 from Bharat Fertilisers" for agricultural purposes. The seeds were very costly as they were of hybrid variety. After 6 months he noticed that the agricultural produce was not upto expected standard. He reported this matter to the seller, but he refused to accept the liability. Mention the redressal agency in which he can file a complaint.

Q6. On securing 95% marks in class XII, Ram's father gifted him a gold chain. But after 2 months, Ram noticed that the gold chain was loosing the shine. He checked the mark on chain and found that it was not a proper hall mark (BIS). He lodged a complaint in the district forum, which rejected it. Not satisfied by the decision of district forum, he was very much disturbed and after 45 days, he decided to appeal further.

Can Ram appeal against the decision of the district forum? Give reasons in support of your answer.

REMEDIES AVAILABLE TO CONSUMERS

1. To remove the defect in goods or services.
2. To replace the defective product with new one free from defect.
3. To refund the price paid for the product/service.
4. To pay compensation for the loss or injury suffered by the consumer due to product/service.
5. To discontinue the unfair trade practice and not to repeat them.
6. To withdraw the hazardous goods from sale.
7. To pay any amount (not less than 5% of value of defective goods) to any person, consumer organisation.

8. To issue corrective advertisement to neutralise the effect of a misleading advertisement.

Some important consumer organization and NGO's engaged in protecting consumer interests are:

1. Consumer coordination council, Delhi.
2. Voluntary organisation in Interest of Consumer Education, Delhi.
3. Mumbai Grahak Panchayat, Mumbai.
4. Consumer Association, Kolkata.
   CGSI
5. Consumer Unity and Trust Society Jaipur.



Role of Consumer organisations and NGO's

1. Educating the general pubic about consumer rights by organising training programmes, seminars and workshops.
2. Publishing periodical & other publications to educate consumers.
3. Providing legal assistance to consumers by providing legal advice etc.
4. Producing films or cassettes on food adulteration, misuse of drugs etc.
5. Filing complaints in appropriate consumer courts on behalf of consumers.
6. Encouraging consumers to take on action against unfair trade practices.
7. Taking an initiative in filing cases in consumer courts on behalf of consumers.

Scope of Consumer Protection Act

The Act applies to all goods and services of any kind other than for commercial purposes provided by any sector - private, public or co-operative. It also covers public utility services.

Any ultimate consumer or registered association of consumers, state and central government can file a complaint under the Act. Complain can be filed either personally or by post. There is no fee for filing a complaint.

The complaint may relate to defect in the goods, deficiency in service, price variation and unfair trade practice.

Ways and Means of Consumer Protection

1. **Government:** Protects the interest of consumers by enacting various legislations like CPA, 1986, Sale of Goods Act 1930, Bureau of Indian Standard 1986 etc. Consumer Protection Act provides for a three-tier machinery at the district, state & national level for speedy & inexpensive redressal of consumer grievances.

2. **Consumer Organisation:** Force business firms to avoid mal practices & exploitation of consumers.

3. **Business Association:** The associations of trade, Commerce & business like federation of Indian Chambers of Commerce (FICCI), Confederation of Indian Industries (CII) have laid down their code of conduct for their members in their dealings with the customers.

Q1. Geeta's mother bought a facial streamer from "Nova Electricals". Her mother got electric shock while using the steamer and she had to be taken to a doctor. Which remedy is available to her? (1)

Q2. Sohan's maid gifted a refrigerator worth Rs. 18,500 to her daughter on her marriage which was later found defective. She being poor and illiterate does not know how to forward her complaint in consumer court. Suggest her, whom can she approach for forwarding her case. (1)

Q3. Soni, purchased and used a bleach cream which was expired. She got scars on her face due to this. Give any one relief available to Soni, who suffered scars on her face due to usage of expired bleach cream. (1)

QUESTIONS FOR PRACTICE

3 MARKS QUESTIONS

Q1. On the occasion of "Dhan Teras" Mr. Aakash went to market for purchasing utensils. He bought pressure cooker from a shop. The shop was over - crowded on the festival, so he did not obtain the cash - memo for the purchase and did not check its certification. Next day, his wife used the cooker, which bursted and his wife suffered injuries.

(1) Identify and explain the consumer liabilities which have not been discharged by Mr. Aakash.

(2) Mention the values which have been ignored by the seller as well as of Mr. Aakash.

Q2. Tanya purchased some household goods from a "General Store' On reaching home, she found that one face cream, (Rs. 250) had not been billed. She became happy that, she got it without paying for. After checking the expiry date and other details, she started using it. Her face burnt due to the use of cream.

(1) Where should Tanya file the complaint for the for the cream?Justify.

(2) Which values have been violated here?

Q3. Smriti purchased a hand blender from an electronic store and got the cash memo of Rs. 1500 which she paid for the blender. Later, she found that the actual price of the blender was Rs. 1200 but the shopkeeper had pasted a stricker of Rs. 1500 on the original price. Can Smriti recover the extra money that she paid? What other options are available to her against the shopkeeper?

4 MARKS QUESTIONS

Q1. Sehaj bought Teak wood furniture for his drawing room from "Akshay Decors" of Kirti Nagar, Delhi for Rs. 4 lakhs. At the time of purchase the firm assured Sehaj about the best quality of the said furniture and gave 2 years warranty

starting that if anything goes wrong, the firm shall replace it with a new one or refund the purchase amount. But the dining table and chairs started developing cracks at various places and the polish' became very dull within 30 days of purchase. Sehaj reported the matters to the firm and requested a number of times to replace the furniture. The firm neither paid attention to these requests nor replaced the furniture.

(1) Identify the consumer rights which have been violated by the furniture manufacturer.

(2) Where can Sehaj lodge complaint for this?

(3) Mention the values (2) which have been violated by the firm.

Q2. Name the products to which the following quality certification marks are associated.









HOW TO CRACK CASE STUDIES

- Only affected consumer can file complaint against seller/manufacturer.
- For filling complaint consumer must fulfill his responsibility, i.e., take bill, check dates, etc.
- If case mentions something about making consumers aware (Right to consumer education)

- If case is about some complaint regarding claim then amount should be taken care off:
  - For filling complaint involving compensation of upto Rs. 20 lakhs :- District Forum
  - For filling complaint involving compensation from 20 lakhs to 1 crore:- State Commission
  - For filling complaint involving compensation of more then 1 crore :- National Commission.
  - For filling complaint in Supreme Court: When not satisfied with national commission's order.

Q.1 Himesh after completing his graduation started working with a multinational company in Delhi. But due to ill health of his parents he had to go back to his village. There he noticed that the villagers were literate but ignorant about their rights. Many vegetable vendors were using stones as weights to sell their vegetables. Some shopkeepers were selling food items without having 'FPO mark'. Villagers did not find anything wrong wih these practices. So to create awareness among villagers Himesh decided to publish a weekly journal 'Jan Jagriti'. State the 'Right' which Himesh has exercised by doing so.

Ans. Right to consumer education.

Q.2 Manan purchased a house for Rs. 30 lakhs from a housing company and found it being defective. Despite many complains, the defect was not rectified. He field a complaint in state commission but was not satisfied with its order. Where can he appeal and within how many days?

Ans. National Commission, within 30 days of the passing of the order of the State Commission.

Q.3 Subu purchased a car for Rs. 1.1 crore and found its engine defective. Despite many complaints, the defect was not rectified. She field a complaint in National Commission but was not satisfied with its order. Suggest her the appropriate authority where she can appeal.

Ans. The Supreme Court

Q.4 Pragyan bought an iron of a reputed brand for Rs. 1500 but it caused an electric shock while it was being used. Pragya wants to exercise her 'Right'. Identify the 'Right under which she can be protected.

Ans. Right of safety

Q.5 Sohan went to a shopkeeper to buy soap. The shopkeeper forced him to buy a particular brand of soap out of various available brands, irrespective of the willingness of Siddharth. Which right of Siddharth, as a consumer has been exploited.

Ans. Right of safety

Practice Questions

Q.1 Name the right of a consumer related in each statement.

(a) The producer should not use aggressive selling techniques to sell his products.

(b) No seller can sell products which are hazardous to life.

(c) In case a consumer has suffered a loss he can get monetary compensation for the loss.

(d) ICICI bank has published a series of advertisements enlightening the consumers about use of credi cards, and hidden conditions in seeking loans.

(e) Packet of Haldiram's chips carry a phone number on which a consumer can file a complaint.

(f) The butter paper wrap on Mc Donald's burger indicates whether it is vegetarian or non-vegetarian.

Q.2 Which responsibility of a consumer has not been fulfilled in the following cases?

(a) Despite it was written on the cover of the face cream that it should be used only after a patch test, Rina applied it on her face and developed an allergy.

(b) The loose spices purchased by Aditi were adulterated.

(c) Sahil found a worm in a chocolate but did not tell anyone as he thought it is small amount, so there is no point in making a complaint.

(d) Neeta desperately wanted to watch the movie so purchased the tickets from a black marketeer.

(e) Rohit did not take cash memo for his mobile to save GST.

Q.3 Rita wants to buy a packet of juice. As an aware consumer, how can she be sure of the quality of juice she plans to buy?

Q.4 A shopkeeper sold you some spices claiming that they were pure. Later, tests showed that they were adulterated. What precautions should you have taken before buying and what remedies are available to you now.

Q.5 Non-Government Organisations perform several functions for the protection and promotion of consumers. Name any six functions performed by them.