

## CHAPTER 3

# CONSUMER PROTECTION

## Rights, Responsibilities, Resolutions

### WHAT'S AHEAD

- 3.1** Consumer Rights and Responsibilities
- 3.2** Government and Consumer Protection
- 3.3** Deception and Fraud
- 3.4** Resolve Consumer Problems

## LESSON 3.1

# Consumer Rights and Responsibilities

## GOAL

- ▶ Describe each of your consumer rights and responsibilities.

# KEY TERMS

- **competition**
- **monopoly**
- **redress**

# A Consumer Bill of Rights

## Right to . . .

- ▶ Safety
- ▶ Be informed
- ▶ Choose
- ▶ Be heard
- ▶ Redress
- ▶ Consumer education
- ▶ A healthy environment

# Rights Carry Responsibilities

## Responsibility to . . .

- ▶ Use products safely
- ▶ Use information
- ▶ Choose carefully
- ▶ Express satisfaction or dissatisfaction
- ▶ Seek redress
- ▶ Be an educated consumer
- ▶ Contribute to a healthy environment

# CHECKPOINT 3.1

- **As a consumer, what rights are you entitled to when dealing with businesses that sell goods and services? What responsibilities do you have in return?**

## CHECKPOINT 3.1 ANSWER

- As a consumer, what rights are you entitled to when dealing with businesses that sell goods and services? What responsibilities do you have in return?
- Businesses should respect consumers' rights to safety, information, choice, being heard, redress, education, and a healthy environment
- Consumers have the responsibility to use products correctly and to inform businesses of any problems

## LESSON 3.2

# Government and Consumer Protection

## GOALS

- ▶ Describe the evolution of the consumer movement.
- ▶ Identify government agencies and laws that help protect consumers.
- ▶ Describe different types of products warranties and how they protect consumers.



# KEY TERMS

- consumer movement
- Federal Trade Commission (FTC)
- cease-and-desist order
- Consumer Product Safety Commission (CPSC)
- Environmental Protection Agency (EPA)
- warranty
- full warranty
- limited warranty
- implied warranty

# The Rise of the Consumer Movement

- ▶ A growing concern
- ▶ A growing awareness
- ▶ The consumer movement

# Government Protection

- ▶ Federal Trade Commission
- ▶ Consumer Product Safety Commission
- ▶ Environmental Protection Agency
- ▶ State and local protection
- ▶ Consumer movement today

# Warranties

- ▶ **The Magnuson-Moss Warranty Act**
  - ▶ Full warranty
  - ▶ Limited warranty
- ▶ **Implied warranties**

## CHECKPOINT 3.2

- Why do many people feel that consumers need protection more now than in the past?
- What federal agencies are charged with protecting consumers from false advertising, dangerous products, and pollution?
- What differences are there between full and limited warranties? How do warranties benefit businesses that offer them?

## CHECKPOINT 3.2 ANSWERS

- Why do many people feel that consumers need protection more now than in the past?

Today's more complicated products make them more difficult to evaluate, leaving consumers vulnerable to poor-quality or even dangerous goods and services

## CHECKPOINT 3.2 ANSWERS

- What federal agencies are charged with protecting consumers from false advertising, dangerous products, and pollution?
- FTC protects consumers from unfair or deceptive business practices
  - CPSC protects consumers from dangerous products
  - EPA is responsible for protecting the environment

## CHECKPOINT 3.2 ANSWERS

- **What differences are there between full and limited warranties? How do warranties benefit businesses that offer them?**
- **Full warranty:** promises repair or replacement of defective product over a specific period of time at no cost to the customer
  - **Limited warranty:** promises repair or replacement of defective product subject to stated limitations
  - **Businesses that offer warranties provide an incentive to customers to buy products with the stated protection**



## LESSON 3.3

# Deception and Fraud

## GOALS

- ▶ Explain the meaning of deception and describe how consumers may be harmed by this practice.
- ▶ Identify common types of fraud and explain how consumers may protect themselves against it.

# KEY TERMS

- trading up
- loss leader
- fraud
- bait and switch
- pyramid scheme

# Deception

- ▶ Trading up
- ▶ Sale price
- ▶ Suggested retail price
- ▶ Loss leader

# Fraud

- ▶ **Fraud: deliberate deception, designed to secure unfair or unlawful gain.**
- ▶ **A statement is fraudulent if it meets these two conditions:**
  - ▶ **The person who made the statement must know it is false.**
  - ▶ **The purpose of the statement must be to cause others to give up property that has value, such as money.**

# Examples of Fraud

- ▶ Bait and switch
- ▶ Pyramid schemes
- ▶ Internet and telephone fraud

# Internet and Telephone Fraud

Watch out for . . .

- ▶ Deal offered seems too good to be true
- ▶ Credit card/Social Security number requested to verify identity
- ▶ Must buy item to get something else for free
- ▶ No written contract or sales agreement is provided
- ▶ You “must act now” or offer expires
- ▶ No method given to contact the organization
- ▶ Information about organization not available from independent sources

# The Many Faces of Fraud

## Examples:

- Healthcare products that promise to cure incurable diseases
- Home-improvement contractors who want payment before doing any work
- Vacation clubs that require money in advance with the promise of inexpensive first-class vacations later
- Repair work offered for less than the going rate
- Weight-loss programs that promise unrealistic results

## CHECKPOINT 3.3

- What is the definition of a deceptive selling practice?
- How can you protect yourself against fraudulent selling practices?



## CHECKPOINT 3.3 ANSWERS

- What is the definition of a deceptive selling practice?
  - Deceptive selling practices are intended to mislead consumers
  - Trading up, false sales, and inflated suggested retail prices can be deceptive

## CHECKPOINT 3.3 ANSWERS

- How can you protect yourself against fraudulent selling practices?
  - Learn to be skeptical
  - Check out unfamiliar companies and ask questions
  - Carefully evaluate responses to questions
  - Understand what you are buying and make decisions with your head rather than your emotions
  - Use the decision making process

## LESSON 3.4

# Resolve Consumer Problems

## GOALS

- ▶ Describe how to successfully complain about a product you purchased.
- ▶ Identify government programs that can help resolve consumer problems.

# KEY TERMS

- Better Business Bureau
- arbitration
- cooling-off period
- small claims court

# Prepare to Make a Complaint

Write down the facts

- ▶ The date and location of the transaction
- ▶ A description of the product
- ▶ The product's price and your method of payment
- ▶ A specific explanation of what is wrong
- ▶ A statement of how you want the problem resolved

# The Complaint Process

- ▶ Start with the seller
- ▶ Seek help from consumer organizations
  - ▶ Better Business Bureau (BBB)
  - ▶ Arbitration
  - ▶ Media help

# Government Efforts to Help Consumers

- ▶ Truth in information
  - ▶ Enforcement is difficult
  - ▶ Use common sense
- ▶ Cooling-off periods
- ▶ Reporting consumer problems
- ▶ Using small claims court

## CHECKPOINT 3.4

- At which step of the complaint process is an organization such as the Better Business Bureau best able to help a consumer?
- What are several ways in which the government works to protect consumers?



## CHECKPOINT 3.4 ANSWERS

- At which step of the complaint process is an organization such as the Better Business Bureau best able to help a consumer?

At the fourth step of the complaint process, organizations such as the BBB are best able to help consumers when they are interacting with managers.

# CHECKPOINT 3.4 ANSWERS

➤ What are several ways in which the government works to protect consumers?

The government protects consumers by . . .

- passing and enforcing laws
- setting standards
- licensing businesses
- requiring labeling
- providing a court system that consumers may use to protect themselves