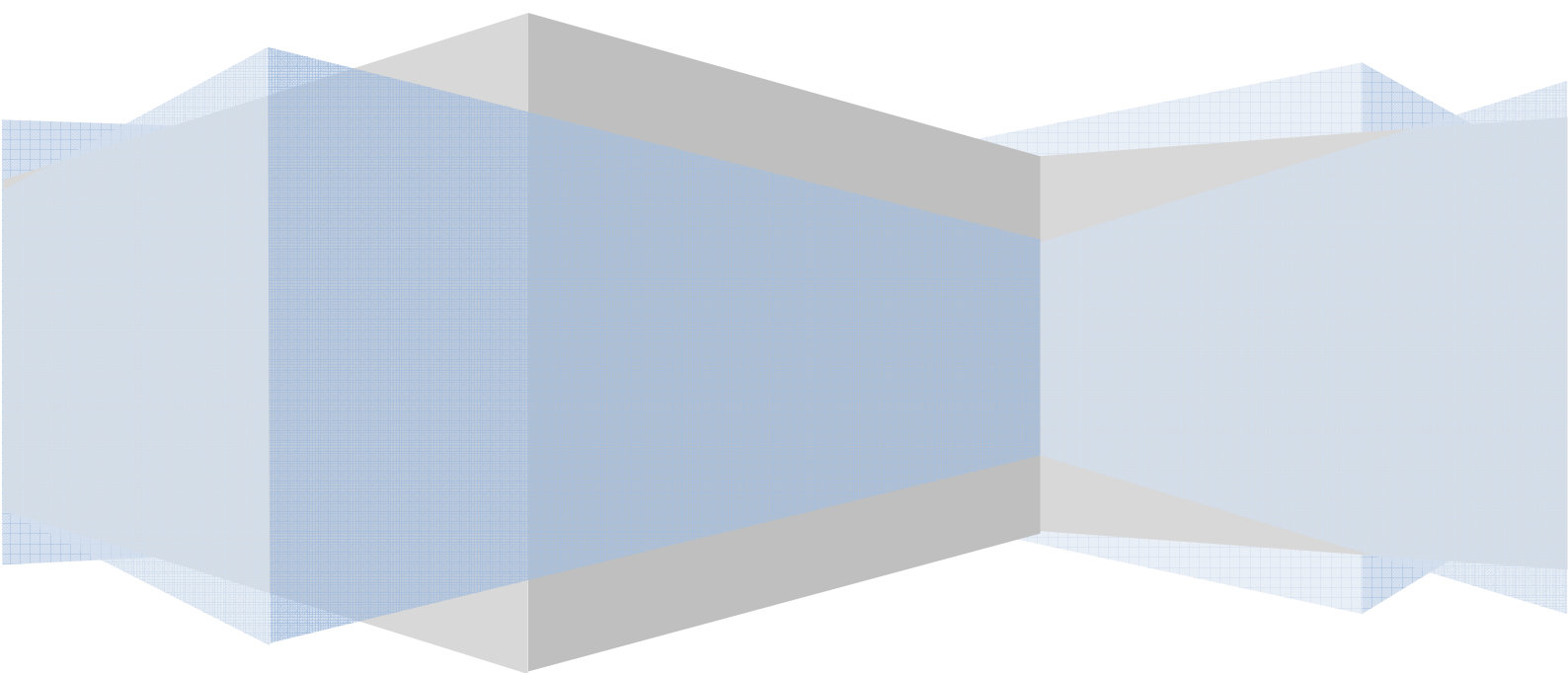




# **ACTIVITES OF THE CONSUMER RIGHTS PROTECTION CENTRE IN 2008**

**ANNUAL REPORT**



**Rīga, 2009**

## Foreword

The Consumer Rights Protection Centre (hereafter CRPC) was established in 1998 with the aim to protect and represent the rights and interests of consumers, to implement consumer rights protection by surveillance of goods and services, to provide consumers with necessary information and to help consumers to solve conflicts arisen between consumers and traders. CRPC is a government authority under the Ministry of Economics, which implements consumer protection at national level.

Consumer Protection Law is an „umbrella law that has been enforced since 1999 to ensure consumer rights, stipulating the following fundamental rights to:

- demand and obtain goods and services those meet requirements, are safe, does not cause any harm to life, health and property of the consumers;
- obtain necessary and truthful information on the goods and services offered in order to make a conscious and informed choice and to obtain timely information on any risks relating to the goods or services;
- obtain information on consumer law and other issues related to consumption;
- be treated fairly entering into contracts;
- be treated fairly by traders without using methods of Unfair Commercial Practice;

Latvian consumer protection policy is largely based on EU consumer protection principles, nevertheless there is no „classic” ADR (Alternative Dispute Resolution) system in Latvia because mainly those functions carries out government institution CRPC. Developments of efficient ADR system still remains one of the future challenges.

## Main Powers and Functions

### **CRPC is responsible for several fields of consumer protection and market surveillance:**

- to control and supervise the compliance of the goods and services offered (to be offered) in the market with the safety requirements, as well as the other requirements specified in regulatory enactments;
- to supervise the compliance of the information regarding the goods and services with the requirements specified in regulatory enactments;
- to supervise the compliance of the information provided by manufacturers, sellers or service providers with the requirements specified in regulatory enactments;
- to request additional information regarding goods and services, as well as the manufacturer, seller or service provider, as well as to control the fulfilment of the requirements regarding the provision of information;
- to examine whether the procedures for undertaking, drawing up and fulfilment of guarantee obligations are observed;
- to check whether the weight, measure and payment for food and non-food goods are specified correctly;
- to check whether the procedures for indication of the price for goods and services

are observed, as well as to request that the prices for goods and services are indicated in accordance with the requirements specified in regulatory enactments;

- consult consumers regarding the consumer rights protection matters;
- to inform manufacturers, sellers and service providers regarding the duties thereof for the implementation of the requirements specified in regulatory enactments;
- to participate in the rapid information exchange system (RAPEX) regarding dangerous goods in order to check the information received regarding dangerous goods in accordance with the market supervision competence, as well as to inform thereof other relevant market supervision institutions;
- to evaluate the compliance of the advertisement with the requirements specified in regulatory enactments and take the relevant decisions;

- to evaluate the compliance of the provision of complex tourism services with the requirements specified in regulatory enactments;
- to evaluate the compliance of an offer expressed to consumers, draft contract, as well as contracts entered into and the fulfillment of obligations with the requirements specified in regulatory enactments and take the relevant decision;

- to check whether the procedures for notification and use of the right of renunciation specified in regulatory enactments are included in the contracts entered into with consumers;

- to control whether the procedures are observed, by which the claim regarding the non-compliance of the goods or service with the contract conditions is to be applied and the expert-examination of the goods or service is to be organized, and to take a decision regarding the fulfillment of the lawful requirements of consumers;

- in accordance with its competence to fulfill the requests of manufacturers, sellers, service providers and consumers regarding the possible performers of expert-examination;

- performing the functions of the European Consumer Centres Network in Latvia solving the matters regarding the cross-border complaints of consumers in the European Union;

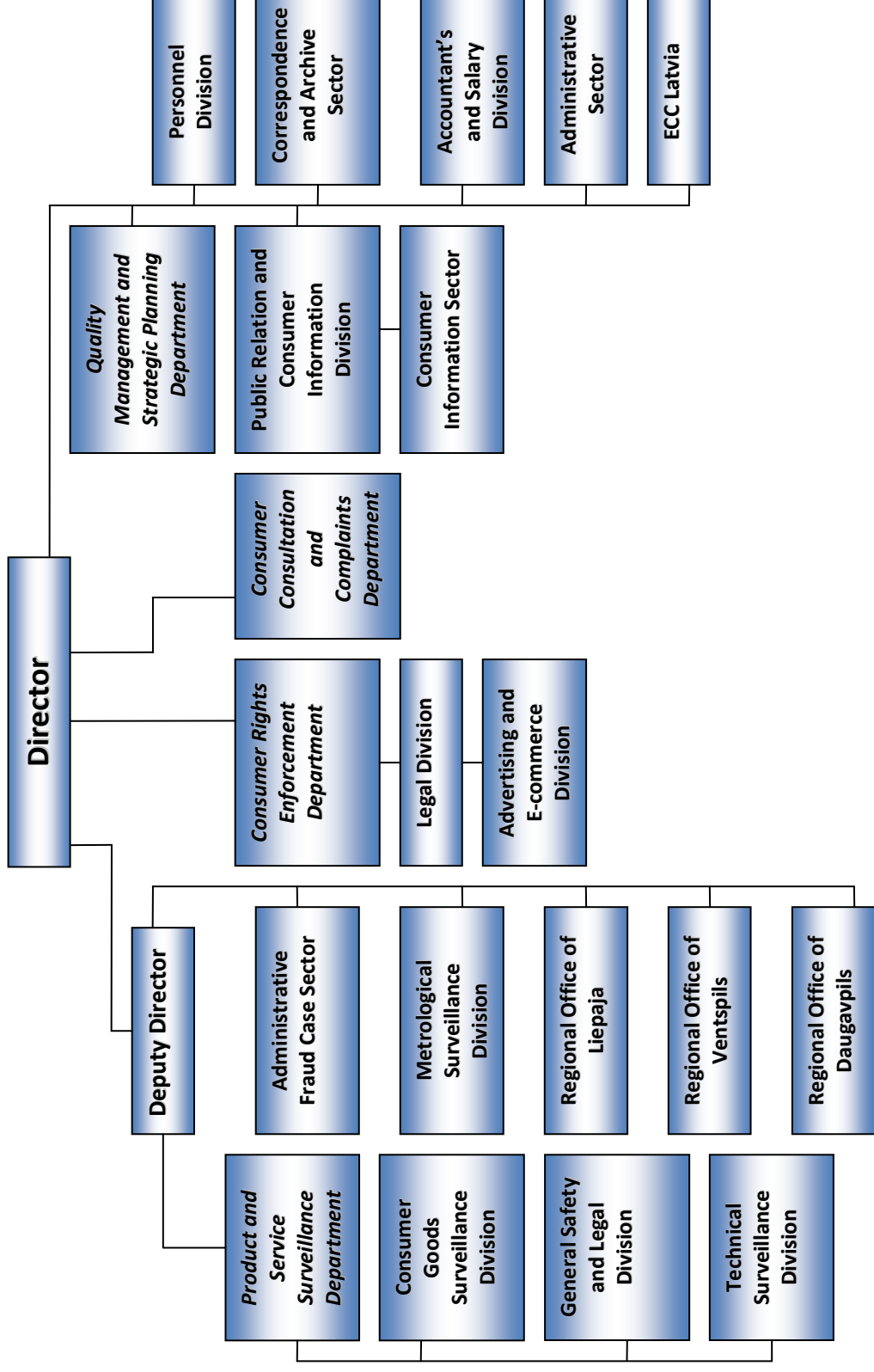
- in accordance with its competence to prepare proposals regarding amendments to regulatory enactments connected with consumer rights protection and the State metrological control and supervision;

- to represent consumer interests in special committees and cross-border cooperation networks;

**CRPC is responsible of surveillance of approximately 70 legislative acts, the following are the main Normative acts regulating consumer protection policy:**

- **Consumer Protection Law;**
- **Law on the Safety of Goods and Services;**
- **Unfair Practice Prohibition Law;**
- **Regulation regarding Package Tourism Service;**
- **Regulations regarding distance contracts**
- **Regulation (EC) No 261/2004 of the European Parliament and of the Council establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights**

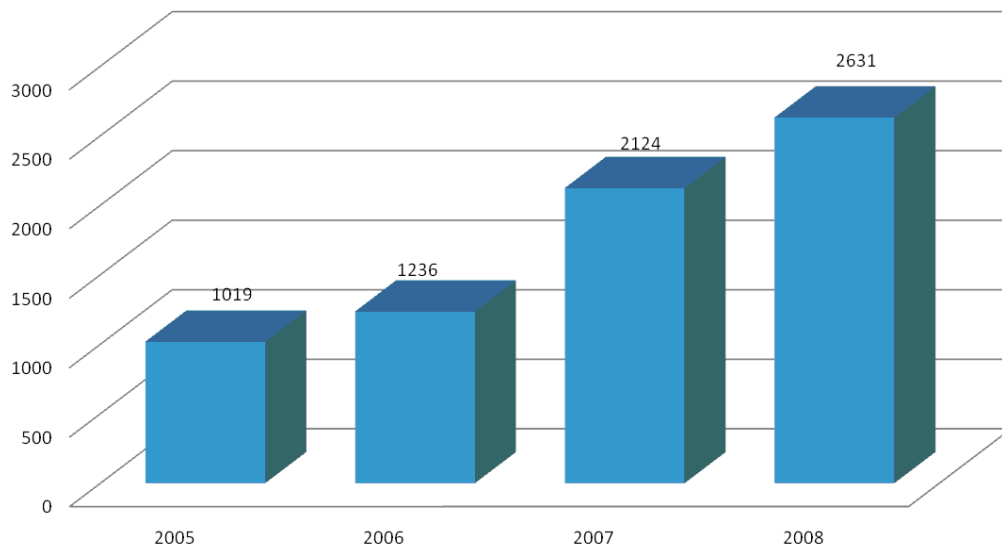
# CRPC structure



## Handling of individual Complaints; Individual redress

The amount of consumer complaints received in 2008 is 2631. Comparing with other years the number of complains has grown, by the side of year 2005 the number of complaints has become 2,6 times higher and by the side of year 2007 increased by 24%.

**The amount of complaints received  
2005 - 2008**

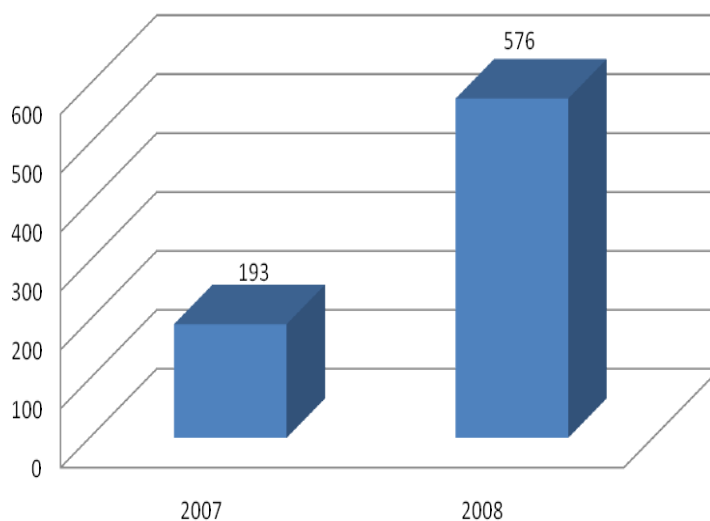


The analysis shows that the content and the examination procedure of complaints have changed significantly. People are more complaining of the unfair contract terms. There are **576 complaints received on the contract conditions in total that is 3 times more than in year 2007 when there were 193 such cases.** Mostly the complaints concern real estate purchase, crediting those contracts worth many thousand lats and has a great financial impact on consumer financial situation and welfare. In the second half of the year many consumers have complained and showed interest about problem situations concerning the paying back of loans as well as creditors wishing to increase the interest rates and change the terms of the mortgage terms. Such complaints to be tackled take more time and specialists with a higher qualification.

*The complaints received mostly contained the following claims:*

- *in 817 cases - article inadequacy to the agreement regulations;*
- *in 718 cases - service inadequacy to the agreement regulations;*
- *in 583 cases – the disregarding of the legal equality of both parties when signing a contract;*
- *in 266 cases – the delinquency of tackling consumer claims and other issues.*

## Complaints concerning unjust contract regulations



For many years most of the complaints received concern the defective and low quality products as cell phones and electrical appliances, footwear, air carrier services, building services as well as electronic communications and public utilities. A significant increase of complaints is experienced regarding airpassenger rights eventual violations considering EC Regulation Nr.261/2004 and considering that CRPC is a NEB office.

The most common problems when solving individual cases were:

- The dishonest acts of some salesmen and service providers such as avoiding answering to the complaint within the legally definite time period, not being reachable at their legal address or at the place where the product was sold or service was given.
- The difficult and non effective process of complaint examination. The adjustment of the administrative processes for the individual cases creates unnecessary bureaucratic barriers and extends the time needed for the case. Quite often the result is not in the consumer favour that takes the case further to the court.

## Surveillance of Consumer Rights

63 decisions were issued regarding unfair contract terms in year 2008 out of which 58 decisions were made for protection of collective consumer interests. One of the decisions was issued on the case of making changes in the ticket reservation system of AS Air Baltic Corporation that would provide customers to choose extra services themselves. The resolution obligated the company to change the previous unfair contract terms already signed with customers as well as to change the further contract terms. A vast of regulations issued concerned real estate purchase pre-contracts as well as contracts for different product and service purchase.

The projects on **Surveillance of Consumer Rights have been carried out in such fields:**

- Tourism

In the first half of year 2008 CRPC made an effort to assure that all of the Package travel service providers report their deeds. Unfortunately many of them didn't sign in their reports on the year 2007 second half until the end of January 2008. 34 administrative decisions were made during this surveillance.

- KASKO insurance

From the January to June of 2008 CRPC carried out an evaluation of the given information before contract signing by the insurance CASCO during which 10 CASCO insurance contracts were examined. Also on the 7th of March in year 2008 a discussion between CRPC, the Latvian Insurer association and the representatives of Finance and capital committee was organized to talk over the results of the evaluation carried out by CRPC.

After the carried out activities the main problems were detected and examined in the field of CASCO insurance. Also the Latvian Insurer association and the representatives of Finance and capital committee were informed about the unrevealed issues.

- The Project of evaluating real estate deal contracts and pre contracts:

157 cases were started by CRPC in year 2008 out of which 25 were initiated by the centre. CRPC received 132 consumer complaints on unjust contract regulations in real estate pre-contracts. The amount of complaints is six times bigger than in year 2007. Often the complains concerned the company to be several month overdue with putting the house into operation and without reason is refusing to pay back the paid prepayment. Since such an action is considered illegal there were 16 resolutions made on such cases in year 2008 and CRPC obligate the guilty companies to pay back to its customers **281 123.20 LVL**. There were 22 resolutions for unjust contract regulations made during the Project. CRPC has also demanded and received for an evaluation the information about purchase contracts, pre contracts and house managing contracts from a selected group of real estate companies.

## Supervision of Commercial Practice

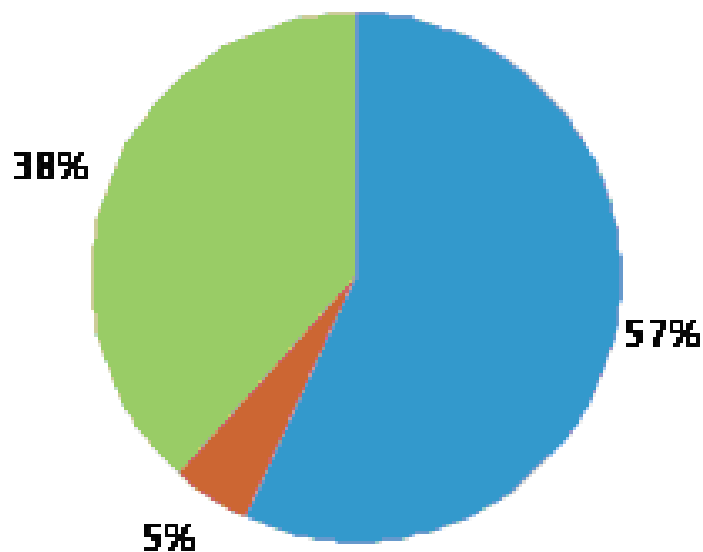
86 investigations on Unfair commercial practice were started in year 2008. The most common case category was misleading commercial practice that was detected in 49 cases. In 4 cases decisions of aggressive commercial practice were found, in 33 cases CRPC didn't find any violations. (please, see in the chart below).

Due to the changes in the Advertising and the prohibition of unjust commerce practice law in year 2008 CRPC used its rights to encourage entrepreneurs to avert the delinquencies on their own free will. Also in the very extreme cases concerning suspicion of a delinquency on fair commercial practice been made the rights stated in law to give out a temporary regulation were used by the centre. The rights were used due to protect the economic interests of a consumer group

### Due to the commercial practice infringements:

An administrative penalty fee was put in 13 cases;  
The commercial practice was stopped and banned in 4 cases;  
It was asked to disclaim the practice in 3 cases;  
Temporary regulations were made in 4 cases;  
In 61 cases the case was closed.

### Commercial Practice Delicts:



Blue – deceptive Commercial Practice  
Orange – aggressive Commercial Practice  
Green – Infringements were not found

## Misleading advertising aimed on airpassengers

CRPC started the investigation procedure in the case of widely disseminated advertisement of AS „Air Baltic Corporation” e - vouchers including a slogan „Easy to fly!” (Viegli aizlidot!) suspecting potential violation of normative acts. As a result it turned out that sufficient information was missing in the advertisement as well as in text of the voucher about the limitation of routes to be booked. It turned out that it is not possible to book flights for several routes (for example Riga – Hurghad) unlike it was claimed in the advertisement that it would be possible to book all routes. That led to misleading of consumers. Advertisement was banned and trader was fined with a fine of 5000 Lats (e.g. ~ 8000 EUR).

## Advertisements of food supplements

Fifty four food supplement advertisement controls were carried out within year 2008, ten cases were risen for investigation. The main breaches of law identified: misleading information, misleading comeercial practice, „miracle effect”claims, „too good to be true” information in the advertisements. Major part of food supliment advertisements not complying with the law were products promising fast and efficient weight loss. As a result CRPC issued three decisions forcing to stop and recall adverisments as well as imposed penalties, in one case the information was sent to Competent Authority in Lithuania (in terms of CPC Regulation).

### **Mobile Content Service**

CRPC has drawn a special focus on Mobile Content Services (hereafter MCS) in 2008 participating in SWEEP activities coordinated by European Commission as well as researching the general situation about the performance of these services in the market of Latvia. Within a research it turned out that many MCS providers do not comply with the law and do not provide sufficient and clear information as well as terms of contract that entitles nature of the MCS. That leads to violation of consumer economic interests especially because the target audience of such services is children and youngsters. CRPC experts checked the relevant WEB pages, found the breaches and ordered to MCS providers insure immediate changes. As a result the in three cases breaches were resolved during the negotiation process with trader, five binding decisions issued, Administrative fine imposed in two cases as well temporary regulation issued in two cases. One of the most common problems coping with MCS providers, many of them are registered in third countries for example Israel that is out of CRPC jurisdiction.

### **E-commerce**

An investigation of 21 cases concerning delinquencies of the Society Information service law was started in year 2008. The main delinquency detected were the ones when the law and the product and service prices were not pointed made clear to the customer.

## THE SAFETY OF GOODS

CRPC carried out ample amount of good sample testing in year 2008 also providing risk assessment. The decisions also were made regarding banning and withdrawal of several consumer goods of the market. Altogether 100 good samples were taken to the good testing laboratories. The test results were dramatic – average **50% out of all tested goods were unsafe and might cause severe risk for consumer health, life as well as is dangerous for the environment.**

Tests were carried out in such categories:

- ***Toys and children articles***

158 test carried out - 17 samples of goods for children and 180 toy model samples.

During the Project 14 goods for children and 44 toy models were taken to technical, chemical substance safety examination. Also the branding material was tested to detect whether it is made in accordance with standards.

The examination showed - 4 children articles were declared unsafe (**29%**), 3 out of which contained dangerous chemical substances ftalats. 1 article – a children's bicycle was declared to have technical inadequacy to standards. 21 toys (48%) were declared unsafe out of which in 6 (33%) toys dangerous levels of a chemical substance were detected. 15 (67%) toys had technical inadequacy to standards. Out of all articles given to examination 6 toys had not fulfilled all branding standards – there were no warning signs.

Summary of results of the testing project:

- During the project - ***the improvement of electrical appliance safety and conformity*** several tests were carried out including electric bulb power efficiency tests. 24 models of electrical appliances were taken for the examination. **Tested articles were found unsafe in 20 cases (out of 24).**
- During the project - ***the improvement of building material safety and conformity*** 34 tests were carried out in the retail places and 182 building material model were tested on safety. Out o the tested models 42 (23%) materials were found inadequate to the safety standards: 13 models lacked „CE” (*Conformité Européenne*) sign on their branding. 42 models didn't have documents confirming CE standards. 4 models lacked utilization instruction.
- During the project – ***the Personal protective equipment (PPE) conformity improvement*** three subprojects were carried out:  
During the subproject **„Mountain skiing helmet safety and conformity improvement”** 25 site examinations in the shops were carried out of which 22 found delinquencies. 10 mountain skiing helmets were taken for testing out of which 6 models were found inadequate to the safety standards. The following faults were found: the strike absorbing levels of helmet in low temperature exceeds the standard (250 grams), buckle tears, the unfulfilled demands of the helmet resistance, deficiency of branding. 5 entrepreneurs carried out voluntary activities to prevent the inadequate articles to get on sales - 2 helmet models were destroyed, 2 models were sent back to suppliers, 1 was relabelled correctly. CRPC prepared 4 RAPEX reports on unsafe mountain skiing helmets.
- During the subproject **„Reflectors and reflecting vests”** 12 reflector models and 5 reflecting vest models were taken for examination. Tests showed that 6 reflector

models which is 50% from all models tested do not provide even a minimal reflecting rate, i.e., do not reflect. All vests were found appropriate to the safety standards.



Some examples of unsafe reflectors

- During the subproject of *Gas device adequacy improvement* gas pressure devices and devices powered by gas fuel were tested. After summarizing the results the most common problems detected were: entrepreneurs (distributors and retailers) doesn't make sure their articles fulfil the standards, entrepreneurs often are not aware of their obligations and often don't have CE sign of product branding, also the documentation is available in Latvian. Gas device manufacturers don't provide the adequacy of the actual product tested with the description available.

- **Children play grounds**

After the outside children playground testing (83% of the tested playgrounds were the ones available in municipal territory). 69 tests were carried out to evaluate the adequacy of children playgrounds to the standard LVS EN 1176:1998 and to the general safety requirements standard LVS EN 1177:1997. In 43 cases (98%) there's no information found on the children playground site. CRPC informed the institutions in charge of the children playgrounds of the test results and received answers about the planned actions to prevent the faults.

## ECC Latvia activities



The European Consumer Centre of Latvia (hereafter - ECC Latvia) was established thanks to the significant support of the European Commission and the assistance of the Consumer Rights Protection Centre of Latvia (hereafter – CRPC).

In 2008 ECC Latvia received 110 normal complaints, 56 of complaints were about air traffic services, 10 about e-commerce services, 4 complex tourism services and rest about other bought goods and services. In 22 cases the complaints were resolved positively for consumers, 10 of complaints were unjustified and to other ECC Net members ECC Latvia has forwarded 64 complaints. In the course of the year 2008 ECC Latvia has received 197 simple complaints and consulted 221 consumers in EU.

To promote ECC Latvia name and main activities ECC Latvia representatives in 2008 have participated at following events:

- ✓ **From 8<sup>th</sup> till 10<sup>th</sup> of February** - the International Balttour 2009 exhibition in Riga.
- ✓ **On 25<sup>th</sup> of February** - the informative seminar *Consumer Rights and Inhabitants policy* arranged by the Association for Protection of Consumer Interests which took place in Ogre (a city near Riga).
- ✓ **On 13<sup>th</sup> of March** - in relation to the European Consumer Day the ECC Latvia in cooperation with the CRPC and European Commission representatives arranged a Press Conference. Within the scope of the European Consumer Day ECC Latvia informed on consumer rights protection in EU in the seminar arranged by EUROPE DIRECT in Ventspils, Riga and Valmiera.
- ✓ **On 2<sup>6th</sup> of March** in Jelgava, **on 3<sup>0th</sup> of April** in Cesis, **on 9<sup>th</sup> of May** in Ventspils, **on 2<sup>8th</sup> of August** in Gulbene - ECC Latvia representatives participated with presentations on the cross-border shopping and consumer rights protection within the EU at seminars organised by EUROPE DIRECT representatives, **on 2<sup>nd</sup> of May** ECC Latvia participated in the seminar arranged by the European Union Information Agency.
- ✓ **On 19<sup>th</sup> of September** - the Information Exchange Open Door Day of the European House arranged by the European Commission Representation. The aim of the event was to inform inhabitants on the activities of the institutions of the European Union.
- ✓ **On 30<sup>th</sup> of September** - the seminar on exchange of experience between the Ministry of Children and Equality of Norway and the Ministry of the Economics of Latvia and the CRPC which took place in the Nordic Council Office in Riga.

**On 3<sup>rd</sup> of November ECC Latvia organised the 4<sup>th</sup> Baltic Sea ADR seminar Best practice exchange of ADR systems development in the Baltic Sea.** The goal of the seminar was to exchange best practice about ADR systems development in the Baltic Sea countries with the aim to facilitate efficient cooperation between ECCs and local ADRs.

In 2008 ECC Latvia continued efficient **cooperation with media** and consumers were informed through the largest **daily newspapers Latvijas Avize, Chas, Vesti Segodnia** of what consumers should know of distance selling, air passenger rights, car rental, information on ECC Latvia etc.

In Year 2008 cooperation with **Latvian Radio** continued Representatives of ECC Latvia Aija Gulbe and L.Grava participated in the on-air discussion **How to Live Better?** informing citizens on e-commerce – what consumers should know and answered questions on EU laws.

In the framework of the International Consumer day on 26<sup>th</sup> of March A.Gulbe participated on the *Latvia TV1* at TV broadcast program *Good morning Latvia* and informed consumers on their rights within the EU and on 31<sup>st</sup> of March A.Gulbe, L.Grava, L.Vitola informed consumers on *regional TV* of Latvia in city Valmiera about ECC Latvia and ECC-Net activities as well on e-commerce and air passenger rights within the EU.

ECC Latvia in Year 2008 has produced following informative materials: “*Cancellation Rights and Guarantees in Latvia*”, “*Consumer guide for tourists visiting Latvia*”, ECC Latvia continued to *contract the MINICARDS* with information on the goals, function and contact details of ECC Latvia. They were distributed at 44 places e.g. the International Airport Riga, a number of the most popular hotels etc.

ECC Latvia continued cooperation launched with CRPC regional offices in Liepaja, Ventspils and Daugavpils, the Association for Protection of Consumer Interests, European Commission Representation in Latvia, European Union Information Agency, National Tourism Development information contact points and Association of Latvian Travel Agents distributing ECC Latvia leaflets: “Your air passenger’s rights in EU”, “Cancellation Rights and Guarantees in Latvia”, “Visiting the Baltic States”, “Consumer guide for tourists visiting Latvia”.

Until the end of Year 2008 ECC Latvia updated its official Web-site with information concerning air passenger rights, e-commerce etc. Between the moment of its opening on 8<sup>th</sup> of December 2005 until 31<sup>st</sup> of December, 2008 ECC website was visited approximately 8485 times from 47 different countries including non- European countries.

ECC Latvia in Year 2008 has produced following promotional materials which were distributed in previously named events: *Bags, Pendant for baggage* and *USB flash 2GB* with printed on ECC Net logo and ECC Latvia contact information.