Consumer Protection Act and hurdles faced by Consumers during Covid 19 Pandemic

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In the past few years, there have been numerous amendments and bills that have been legislated and made. Some of the bills have not yet been implemented, and some have not even been acknowledged, while some have been enacted. One bill that has become an act in recent times is the “Consumer Protection Act, 2019”. Over the period, there has been an enormous change concerning the consumers. One of the common and standard definitions used is, a person who buys goods and services is called a Consumer. The function of the term has evolved in tandem with its definition. Furthermore, the producers' and other auxiliaries' positions have been too expanded. These developments can be linked to the civilization's technical achievements and improved living. Consumers have various rights, and if these rights are violated, they can file a petition in the Court. These Consumer related cases have specialized courts for them. They are known as Consumer Courts. In this article, we are going to analyze about Consumer Protection Act of 2019 in detail and also would illustrate the various changes that have been introduced in the new enactment with comparison to that of the old Consumer Protection Act 1986. Additionally, we will discuss the problems faced by Consumers in the COVID-19 Pandemic and cases regarding Consumer Protection Act.

Keywords: consumer, rights, producers, e-commerce, unfair trade practices, covid-19.
INTRODUCTION

"Consumption is the sole end and purpose of all production; and
the interest of the producer ought to be attended to, only so far as
it may be necessary for promoting that of the consumer."

- Adam Smith

The consumer has a vital influence on a country’s growth. It was Mahatma Gandhi who said once, "A consumer is the most important visitor on our premises. He is not dependent on us. We are on him. He is not an interruption to our work; he is the purpose of it. We are not doing a favor to a consumer by giving him an opportunity. He is doing us a favor by allowing us to serve him." Consumer rights must be safeguarded for any economy to prosper. A consumer is an important part of any economy since he is the one who buys or hires goods or services from a seller, therefore boosting employment. Consumer confidence and trust are characteristics of a strong consumer protection mechanism, which is the bedrock of a successful market economy. Protecting Consumer rights is critical since consumer needs and expectations have shifted as a result of globalization and increased knowledge. Consumer rights growth necessitates the elimination of information asymmetry and unethical corporate activities, an aim that should lead future consumer law development.

Given the prevalence of widespread consumer exploitation, it is no surprise that consumer protection has become increasingly important around the world. The responsibility of judging a product’s quality rested on the buyer¹. Even though ancient texts like Manusmrithi emphasized ethical trade practices, "The principle of Caveat emptor (let the buyer beware) prevailed." It was eventually established that a reasonable examination by a consumer could not reveal the inherent faults, especially in complex products² about which only the seller is aware. As a result, the need for Consumer Protection developed, and some of the obligations were

moved to the seller, setting the groundwork for “Caveat Venditor (let the seller beware).” In India, certain legislations such as “The Drugs and Cosmetics Act, 1940” the sale of Goods Act, 1930, Indian Penal Code, 1860, the Essential Commodities Act, 1955, The Prevention of the Food Adulteration Act of 1954, among others, established a legislative foundation for consumer protection. There was a perceived need for more comprehensive law to address consumer exploitation, as current statutes were unable to provide adequate remedies. Finally, in 1986, the Consumer Protection Act of 1986 (“CPA 1986”) went into force.

The “Consumer Protection Act of 1986” was established to solve consumer concerns and protect their interests; it was a commendable move at the time, and it has since been updated. It established a holistic structure of grievance-redressal processes and emboldened the consumers through the provision of remedies against or trade practices, hazardous goods, and defective goods inter alia. However, the three-decade-old legislation failed to keep up with the market and digital technology changes in the nation, and customers had to turn to the State and District Consumer Redressal Forums, which merely reimbursed them for their losses. There was no data collecting and no investigation of injuries or fatalities caused by faulty products or services. In short, there was no regulatory agency in place to monitor or manage consumer rights violations.

The dawn of the 21st Century has witnessed drastic changes in the market dynamics, the Modus Operandi of businesses, and the technological landscape. Since the 1986 passage of the “Consumer Protection Act,” consumer marketplaces for goods and services have changed dramatically. It has become tough to attribute liability for deficiencies in services due to the multiplicity of entities involved in modern-day transactions. ‘Misleading advertisements,'

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3 Drugs and Cosmetics Act 1940
4 Sale of Goods Act 1930
5 Indian Penal Code 1860
6 Essential Commodities Act 1955
7 Prevention of Food and Adulteration Act 1957
8 Consumer Protection Act 1986
9 Ibid
11 Ibid
'telemarketing,' ‘multi-level marketing,' ‘direct selling,' and ‘e-commerce’ provide new difficulties for consumer protection, necessitating proper and prompt executive involvement to avoid consumer harm. Improved regulatory measures were required to confront emerging problems. India approved the Consumer Protection Act, 2019 (“CPA 2019/the Act”) (enforced in 2020), drawing inspiration from Consumer Protection Law in nations such as the United States, Singapore, France, and others, as well as European Union Directives. This act replaced the 33-year-old CPA 1986. The Consumer Protection Act of 2019 is notable for establishing a “Central Consumer Protection Authority” (CCPA) Which serves as a regulatory agency charged with “promoting, protecting, and enforcing consumer rights as a class.” The new regulations show a clear change from “Caveat emptor” (let the buyer beware) to “Caveat Venditor (let the vendor beware)” since unfair commercial practices and fraud perpetrated by the supplier will now be penalized. This act also includes provisions for sanctions for unfair commercial practices and deceptive marketing, as well as other enhancements that bring consumer rights up to date with market trends.

OVERVIEW OF THE CONSUMER PROTECTION ACT 2019

The “Consumer Protection Act 2019”, the law that is in existence now was enacted on 20 July 2020. The bill was passed in the Lok Sabha on 8 July 2019, by Ram Vilas Paswan, the then “Minister of Consumer Affairs,” "Food and Public Distribution," through the “Department of Consumer Affairs," that was later passed by the Rajya Sabha on August 2020, assented to the bill and was consequently notified in the “Gazette of India." In light of the evolving society, several adjustments were made to the existing amendment. The improvements in society not only provided customers with a diverse selection of items from many areas all in one place but also booster internal rivalry among producers well beyond the prescribed limit, forcing

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13 Ibid
14 Consumer Protection Act 2019
15 Consumer Protection Bill 2019 (Bill No 144 of 2019)
16 Kumar (n 10)
17 Protection Act (n 14)
producers to compromise on product quality. It indirectly affects consumers. Therefore, to control such malpractices and to enhance a healthy lifestyle and competition for the consumers and produces, respectively, the statute has made such amendments and introduces a completely new act with regards to these changes. Apart from these changes, the rights of the consumers especially described in this act are mentioned, under “section 9 of the Consumer Protection Act, 2019” that are:

1) The Right to protection against hazardous goods
2) Right to be informed about the specifications of the product (quantity, quality, purity, standards, prices, etc.)
3) Right to be assured, and access to a variety of goods
4) Right to be heard,
5) Right to seek redressal
6) Right to consumer awareness

These are the rights available to all Indian Consumers, which are available within the territory of India.

NEW ADDITIONS IN CONSUMER PROTECTION ACT 2019

Because of the dramatic shift in the way the market now works, new consumer protection regulations were required. International trade is growing, global supply chains are expanding, and e-commerce is rapidly developing. There is also a backlog of unresolved cases in India’s consumer courts. Misleading ads were seen in the new market setup, and a particular check was required for direct selling and multi-level marketing.

E-Commerce and False advertisement

The first and most important amendment to the Act of 2019 is the broadening of the term “Consumer” under “section 2(7)”. A new clause (b) has been added to the explanation for the definition of "consumer" where the expression "buys any products" and "hires or avails any

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18 Consumer Protection Act 2019, s 9
19 Ibid
services” refer to both offline and online transactions carried out by electronic methods such as 'teleshopping,' 'direct selling,' or 'multi-level marketing'\(^{20}\). The prior Act did exclude the buyers who purchase items on the web, and this lacuna has been filed by the 2019 Act. There is a distinct arrangement for financing merchandise and ocean administrations, which are frequently accepted by the major brands and are protected under the arrangement of false and misleading advertising. The responsibility placed on VIPs in addition to the risk taken by producers and specialized cooperatives. Misleading advertising sometimes includes withholding important information on purpose. The “CCPA,” which will be further below, also deals with false and misleading advertisements.\(^{21}\)

**Pecuniary Jurisdiction**

The number of members and the amount in the Consumer Dispute Redressal Agency (Central, state, and District Forum), ordinarily known for its Pecuniary Jurisdiction, has also been increased. The district forum ceiling was previously set at Rs. Twenty lakhs, but it has been raised to Rs. 1 crore. For the National Forum, the ceiling amount as in the Act of 1986 was more than Rs.1 crore that has been changed, at present to more than Rs. 10 crores. It would assist those in positions of power in resolving consumer issues more quickly, and justice may be delivered at the proper time and location. As a result, the procedure would be simplified, and consumers would be able to submit lawsuits more easily, reducing the time spent on the dispute resolution process.

**Unfair Contracts**

A contract between a manufacturer, merchant, or service provider and a client that causes the customer harm or significant change in the customer's protection rights is characterized as an unfair contract. One such example is the unilateral cancelation of a contract with no previous


notice. A complaint can be made with the State Commission for up to 10 crore INR and with the National Commission for more than ten crore INR for the same person.

CENTRAL CONSUMER PROTECTION AUTHORITY

The “Central Consumer Protection Authority” was established to promote, protect, and enforce consumer rights, investigate and intervene when necessary to prevent consumer harm caused by unfair trade practices, and to bring class-action lawsuits, including requiring product recalls, refunds, and returns\(^22\). Thus CCPA can act on:

1) Issue safety guidelines
2) Complaints of Unfair trade practices
3) Refer Complaints to other regulators
4) An order product recall or discontinuation of services
5) Can file actions before consumer commissions
6) Has punitive powers such as imposing penalties and
7) Intervene in processing in matters of consumer rights or unfair trade practices.

Under the legislation, the Central Authority would establish an Investigation Wing directed by Director-General to undertake inquiries or investigation. For inaccurate and misleading ads, the CCPA may levy a fine of up to ten lakh rupees on the producer and endorser, which includes internet marketing. A punishment of Rs.50 lakh may be imposed for a further offense. There are several transactions, however, where an endorser will not be held responsible for such a penalty. The CCPA has the power to order those deceptive advertisements to be taken down.

MEDIATION (ALTERNATIVE DISPUTE RESOLUTION)

The Act of 2019’s formal statutory recognition of Mediation is another greater contribution to Consumer Protection Jurisprudence. The new Act includes a provision for mediation, which is optional and not obligatory on the parties. The median will expedite the process by making it

easier and faster to resolve conflicts. “Section 74 of the Act of 2019”\textsuperscript{23} directs the establishment of Consumer Mediation Cells, which will be attached to each of the consumer omissions established by the State governments for state and district commissions, and by the central government for the National Commission and each of its regional benches\textsuperscript{24}. By granting court recognition to formal mediations in consumer cases, the “Act of 2019” has taken a significant step towards ensuring that the advantages of these alternative dispute redressal methods are realized by the people to promote a fast and peaceful resolution of conflicts.\textsuperscript{25}

**PRODUCT LIABILITY**

“Section 2(34) of the Consumer Protection Act of 2019”\textsuperscript{26} defines the notion of "Product Liability," which is included in the new Act. Under the new Act, the manufacturer, product and service provider, and product seller shall be held liable for any harm caused by their product(s) that causes customer injury or death. The responsibility of the manufacture, on the other hand, would be larger. This restriction will apply to e-commerce sites as well. The faulty good should have caused damages, death, and mental agony, loss of consortium, or any other injury. The injury must be genuine and must not include any financial loss.

**FILING OF COMPLAINT**

The Consumer, or the consumer’s parents or legal guardians, can make a complaint on his or her behalf. The new act gives consumers the option of filing a complaint where they live or work. In some instances, the complaint can be submitted online and heard through video conferences. “Section 21\textsuperscript{27} of the Act empowers the Central Authority to issue directions and impose fines for incorrect or misleading advertisements.”\textsuperscript{28}

\textsuperscript{23} Consumer Protection Act 2019, s 74  
\textsuperscript{25} Ibid  
\textsuperscript{26} Consumer Protection Act 2019, s 2(34)  
\textsuperscript{27} Consumer Protection Act 2019, s 21  
CONSUMER DISPUTE REDRESSAL COMMISSION

The Establishment, Qualifications, Jurisdiction, Method of Complaint, and Proceedings are all covered in Chapter four of the Act regarding the “Consumer Disputes Redressal Commission”. The CDRC is empowered to investigate and resolve complaints concerning unfair and restrictive commercial practices, faulty goods and services, overcharging, and items that endanger life or property. It must be aimed at three levels: the district, the state, and the national (Commissions). In contrast to the previous Act, the commission’s authority has been enlarged.

1) District Consumer Disputes Redressal Commission (previously known as the State Commission)

A District Commission shall be constituted in conjunction with the Central Government, consisting of a President and not fewer than two and not more than the number of members specified. The District Commission will now hear complaints about goods and services worth less than a crore rupees. “Section 34(2)(d)” expressly states that the complaint resides or personally works for gain, rather than the jurisdiction where the other party actually or voluntarily resides, conducts business, has a branch office, or personally works for gain.

2) State Consumer Disputes Redressal Commission (previously known as the State Commission)

Complaints involving an amount of more than one crore rupees but less than ten crore rupees will be heard by the State Commission.

3) National Consumer Disputes Redressal Commission (previously known as the National Commission)

The National Commission would have jurisdiction over allegations involving sums more than ten crore rupees. The jurisdiction in which a complaint is filed is now determined

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30 Consumer Protection Act 2019, s 34(2)(d)
by the value of the products and services paid, rather than the value of the goods and services and the compensation.

RELATED RULES AND REGULATIONS

The “Customer Protection (E-commerce) Rules”, 2020, which are mandatory rather than advisory, provide all relevant information for e-commerce companies, taking both the customer and the product/service supplier into consideration. The following are the main highlights:

- According to Rule – 5, e-commerce firms must inform customers about return, refund, exchange, warranty, and guarantee, delivery, and shipment, modes of payment, grievance, redressal procedure, payment methods, payment security, chargeback, and country of origin.
- These platforms must acknowledge receipt of any customer complaint within 48 hours of receipt and resolve the issue within one month of receipt. In addition, they would be forced to hire a grievance officer to manage complaints.
- Sellers cannot refuse to accept returns, withdraw services, or deny refunds if products or services are faulty, deficient, delivered late, or do not fit the Platform’s description.
- The regulations also make it unlawful for e-commerce firms to alter product or service prices to benefit from misappropriation.
- Under Rule 7 of the Consumer Protection (Consumer Dispute Redressal Commission) Rules, 2020, the amount charged for registering a complaint with the District Commission up to Rs. 5 lakhs has been reduced to nil.

LANDMARK JUDGEMENT OF “CONSUMER PROTECTION ACT”

Laxmi Engineering works v. P.S.G Industrial Institute

Facts

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31 Customer Protection (E-commerce) Rules 2020
32 Customer Protection (E-commerce) Rules 2020, rule 5
33 Customer Protection (E-commerce) Rules 2020, rule 7
34 Laxmi Engineering works v PSG Industrial Institute MANU/SC/0271/1995
The appellant, Laxmi engineering works, holds property obtained under the Employment Promotion Programmer. It is a small-scale industry in Maharashtra, and Maharashtra and financial assistance are provided by the Maharastra State Finance Corporation. The appellant placed an order for a universal Turing machine with the P.S.G industrial institute. The supplier, according to the appellant, provided the machine six months beyond the agreed-upon delivery date and also delivered a faulty item. The equipment was then put to use, and many problems were identified, which were brought to the notice of the responder, PSG, at least once. Based on the fact that the machinery was acquired from the P.S.G industrial institution by a client, PSG was directed to pay 2.48 lakh as an award appellant. After analysis of a judgment, it was held that a person who purchases products for personal use is a consumer, even if they earn a living through self-employment. Furthermore, self-employed individuals have the right to compensation from the seller of faulty machinery provided or sold to them. Then PSG appeared before the national commission and denied the appellant’s claim, claiming that the machine was for commercial purposes and Laxmi engineering works was not a customer, as required by section 2(d) of the Act, and thus, the appellant could not invoke the Consumer Protection Act, 1986 because their goal was to make money, not to help consumers.

Issues

1) Whether the appellant is a competent consumer to file a complaint against P.S.G Industrial Institute and can get a benefit of the Consumer Protection Act?

2) Whether the State and National Commission is regarded as Courts?

Judgement

Despite having some of the powers of civil courts, the Supreme Court decided that the district forums, state commissions, and national commissions are “quasi-judicial” institutions that serve customers with rapid and cheap dispute resolution. These authorities or agencies exist to

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36 Consumer Protection Act 1986, s 2(d)
37 Ibid
provide customers with justice and fair treatment in the fields of products and services. The National Commission determined that if an item is acquired and utilized to carry out a large-scale activity to profit, the individual cannot be deemed a customer. The court held that even if a good was acquired for commercial purposes, the individual would still be deemed a consumer. When the usage of the good is for oneself, and one's living through self-employment, the individual is still called a consumer. As a result, it cannot be considered a commercial purpose. Furthermore, even if the purchaser enlists the support of one or two others to assist in the operation of the equipment, the individual will be considered a consumer.  

HURDLES FACED BY THE CONSUMER DURING COVID-19  

The COVID-19 Pandemic has arisen as a worldwide health hazard, with each country confronted with distinct problems throughout the epidemic. COVID-19 is creating significant concern among consumers, both for health and economic reasons. It has not snatched away the lives of people but also their means of livelihood. Every consumer was hit hard by this pandemic. Retailers are closing doors. Consumers all across the world are reconsidering products and brands. The virus is altering the consumer goods industry in real-time in a matter of weeks, significantly accelerating the long-term underlying tendencies. Consumers are reacting to the issue in a variety of ways. Some individuals are concerned and fearful, prompting them to get necessities and hygiene products in a hurry. Some consumers, on the other hand, are indifferent about the pandemic and are going about their business, as usual, ignoring government and health care professionals' advice. New consumers are migrating online for food shopping, boosting digital commerce. The virus has accelerated three long term trends:

1. The ever-increasing focus on health.
2. A rise in conscious consumption.
3. Growing love for local.

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38 *Ibid*
HOW COVID-19 IMPACTED SOCIALLY

People are relying on technology to help them with all elements of solicitude in larger numbers than ever before. Consumers are downloading apps for entertainment, health, and how we connect with our communities, friends, and families. Technology is changing in this pandemic. To engage with consumers and improve the experience, “CPG companies must place a higher focus on digital rather than traditional tools, virtual working strategies will boost CPG firms’ employee value propositions and demonstrate that they are aware of their employee’s preferences.”

HOW CPG CAN CONNECT WITH CONSUMERS\textsuperscript{39}

Respond:

- Standup a cross-functional command centered KPI tracking
- Create a task force for the digital workplace that is flexible.
- Reshape marketing strategy in light of changing demand and brand purpose.

Reset:

- Redefine the relation with consumers, customers, and employees and re-imagine your organization and ways of working
- Rethink and redefine relationships with echo system partners.
- Reconsider your product and service portfolio

Renew:

- Accelerate your mood to a data-driven operating model.
- Reprioritize enterprise investment plans for the post-covid era.
- Scan market for M&A opportunities

WHAT ROLE DID THE DIGITAL ECONOMY PLAY DURING THIS PANDEMIC

During the COVID-19 crisis, the economy provided more digital options to customers. Consumers increasingly rely on digital platforms for online shopping, virtual meetings, and educational purposes, and electronic commerce of goods and services is growing. Online information campaigns are the most efficient and cost-efficient method of reaching millions of individuals. The settlement of consumer disputes is quickly shifting to digital channels. However, in the COVID-19 crisis, the digital economy is a source of some of the most significant methods that exploit clients by falsely claiming that a product would prevent or cure a virus infection, as well as other frauds such as financial fraud and fishing schemes. In addition, the digital divide has increased the gap for the most vulnerable and disadvantaged clients. Many consumer protection groups have increased education and awareness efforts on health and safety, unfair business practices, and the right of consumers to refund, as well as built or updated web portals and other digital tools to let customers lodge online complaints. During this time, pandemics and the cross-border nature of the internet economy need collaboration among national consumer protection authorities. This entails exchanging information and experiences on issues of enforcement and policy, such as consumer education, enforcement, dispute resolution, and redress.40

CONSUMER PROTECTION

COVID-19 prompted numerous unscrupulous advertisers to target vulnerable customers with deceptive and outright fraudulent promises. “Many of these are about ayurvedic coronavirus” treatments, but there are also promises of corona-resistant paint and clothes, as well as immunity-boosting confectionaries. In sectors as diverse as education, technology, finance, and health care, people are increasingly falling victim to a variety of frauds, including misleading advertising.

DIGITAL MARKETING

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A double-edged sword marketer is overly enthusiastic about digital advertising. With the expanding reach of social media thanks to lower internet connection prices, the ability to deliver tailored advertising based on personal attributes and prior activity on search engines and social media that conventional commercials on television, newspaper, and radio could never offer. Influencers purchasing followers and app developers, employing bonnets to imitate actual users are all threatening digital marketer ad budgets. A large number of likes, retweets, and comments on social media content may mislead gullible marketers if they are generated by unscrupulous click factories to do so. To assure advertising reach and efficacy, digital marketers must find out how to cope with privacy problems and fraud.

SALE FORCE MANAGEMENT

Pharmaceutical companies, equipment manufacturers, and business service providers frequently hire salespeople to meet with potential customers. Many of these processes have been destroyed as a result of many big institutional purchases temporary work from home policies typically involving numerous take holders such as senior managers, procurement managers, financial approvers, and real estate users. These meetings have shifted online, which frequently affects the productivity of salespeople who have decades of selling experience through personal meetings.

RETAIL

Since the outbreak of the epidemic, India's industries have had a mixed bag of bad luck. These industries that rely on face-to-face interaction have been the most hit. Aviation, right sharing, hospitality, and physical retail are all examples of these industries. Online shopping, online education, food delivery, on the other hand, has experienced rising popularity. As long as covid-19 rules over India, brick motor retailers, particularly those in malls, are likely to be affected. In this pandemic, some of the businesses might look into short-term partnerships with internet delivery partners like Swiggy and Uber eats. Another short-term strategy to consider is to offer a discount to customers, but this comes with the danger of lowering brand image, especially in Luxury categories.
REBUILDING CUSTOMER RELATIONSHIPS

Consumer-facing firms have been struck harder than their business-facing counterparts this year, with substantial drops in sale revenues reported by the CMOS. Consumers are more price-sensitive and less loyal than in the past; according to the companies building trustworthy connections with the customers has become a key concern. Relationships must be created as well as existing once disrupted by this epidemic, such as in the hospitality, travel and corporate training industries.

CONCLUSION

This article would conclude that this consumer protection act would bring revolutionary changes to our country. It will contribute to our countries overall progress Consumers will feel safe, and the country will have consumers safe, happy, and protected by this act. Although, this law will become a valuable asset to the country. It must be effectively reviewed and monitored by the legislative and bureaucracy and legislative body. The new act of 2019 represents a step forward in terms of reform, development, and consumer rights. As we know, every year, socio-economic changes occur, and we may expect fresh revisions to 2019. However, the true impact of the 2019 consumer act protection will be determined in the coming months by examining how much assistance is provided to the customers. Overall, the 2019 act is a significant start towards reforming and developing consumer laws in light of rapidly changing socio-economic conditions. Many other recent comparable actions have been made, such as house buyers, being deemed financial creditors under the bankruptcy court, and implementation of the RERA.