

Consumer protection inspection
plans for 2016
Legal newsletter



Consumer protection inspection plans for 2016

Deloitte Legal Szarvas, Erdős and Partners Law Firm provides its clients with a monthly newsletter on the most recent changes and newly adopted regulations in economic law and the most notable legal cases.

The Hungarian Authority for Consumer Protection announced its inspection programme for 2016 (hereinafter: "Programme"). To help prepare for the frequent consumer protection inspections, in this newsletter we have outlined the target areas and the most common mistakes made in these areas.

E-commerce

Based on the results of last year's inspections, the authority will continue the **detailed inspection of online sales** (webshops). They will **focus** particularly on **webshops selling home appliances, sales transacted through various mobile applications**, as well as **sales using coupons**.

The authority will inspect in detail for instance the **contents of the information provided for consumers**. Since the list of mandatory content elements is fairly long and detailed, it is easy to forget particular elements, and a full and accurate listing of all the elements might be difficult. Frequent mistakes include especially the lack of tax number, indication of the name of the court of registry that handles the commercial register, or the missing name and contact information of the court of arbitration competent in legal disputes. Further frequent mistake is when sellers fail to give consumers an explicit reminder before the latter gives orders linked to payment obligation.

The authority will also **check whether consumers are informed of their right to withdraw from the sale within 14 days**. Webshops failing to provide such information or providing information that is deemed misleading can easily find themselves in violation of the law. It can be misleading for instance if according to the information provided the consumer's right to withdraw from the sale is provided by the seller as an extra service, or if it can only be made by completing an additional form, or if the bank costs are deducted from the amount to be refunded to the consumer.

A key area of inspections in the Programme is **the way prices are indicated**. Webshops frequently make the mistake of indicating the net price instead of the gross one that includes all the taxes, or failing to indicate unit prices. Failing to provide information on shipping costs (e.g. if such information is only available following registration) can also lead to breach of law and sanctions.

As part of the Programme, the authority will also inspect the **process of handling warranty and guarantee claims**. In 2015, most breaches were due to the improper, misleading or obscure interpretation of the relevant legal regulations (e.g. citing regulations literally). In the case of durable consumer goods with mandatory guarantee, a part of the companies fail to issue a guarantee certificate, or they issue one that is deficient or misleading. Webshops often set additional requirements for enforcing guarantee claims (e.g. presentation of the original invoice, original packaging must be available, losing guarantee rights for goods with opened packaging), which can also lead to breach of the law. Particular attention should be taken to guarantee certificates issued in languages other than Hungarian that shall include all mandatory content elements in full.

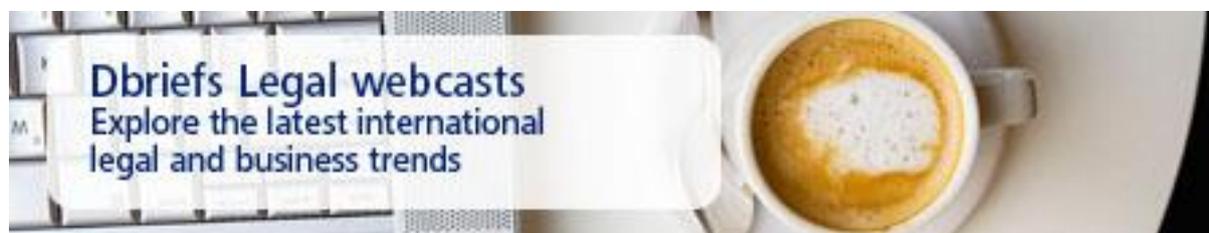
Inspection of compliance with the stricter rules of product demonstrations

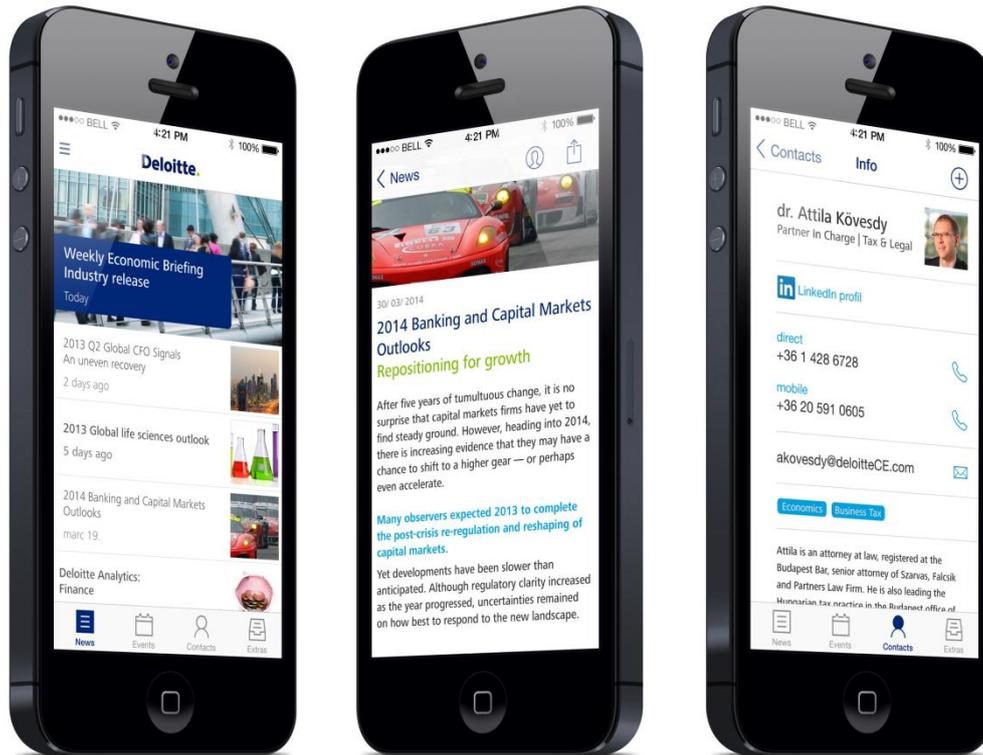
An important area of consumer protection inspections as per the Programme this year will include **inspection of compliance with the stricter rules applying to product demonstrations** entering into effect this January. According to the new rules, retailers selling products in connection with product demonstrations are **required to operate customer service centres enabling administration per person, by phone, and electronically, and to transport consumers back to the point of departure under the same conditions they were transported to the place of the product demonstration**. According to the stricter rules that entered into force, **offering commercial credit at product demonstrations is prohibited**. Further rule stipulates that companies **shall not promote product demonstrations by offering presents, discounts or sweepstakes in return for participation**.

Inspection of particular products, laboratory tests

The consumer protection authority will inspect particular **product categories carrying higher levels of risk** such as **children's toys, construction material** (e.g. insulation material, cement based building material), as well as **paint and varnish** more thoroughly. As a novelty, as of this year the authority has, **next to the two accredited (food-chemistry and technical) laboratories, also one internet laboratory specialized in products sold through the online surface, thus it can now inspect websites in terms of the information technology in addition to laboratory inspections**.

Considering the continuous inspections, the **risk of the authority finding businesses repeatedly in violation of the law and levying more serious sanctions** (e.g. penalties **up to the value of even HUF 2 billion**) is increasing. Therefore, we recommend for our clients who operate webshops to revise and regularly check the compliance of their selling surfaces and processes.





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