



OECD Guidelines for Consumer Protection in the Context of Electronic Commerce

Frequently Asked Questions (FAQ)

The intellectual and cultural benefits that global networks like the Internet have to offer, coupled with the economic and commercial growth, convenience and increased choice promised by electronic commerce are attracting more and more users online every day. There are currently an estimated 201 million people worldwide with access to the Internet¹ (a number that is projected to increase to more than 500 million by 2003²) and approximately 28.8 million of those users are expected to spend USD8 billion³ shopping online in 1999. This rapid growth has turned the spotlight on the potential benefits and the potential pitfalls of business-to-consumer electronic commerce.

Why are the Guidelines necessary?

An increasingly broad range of products and services are available for sale on the Internet, and yet the number of transactions actually concluded online lags far behind Internet use in general suggesting that consumers have not fully embraced the idea of buying online. Often, the most common online consumer shopping experience consists of buyers using the technologies to research products and services, then turning to more traditional methods -- phone, fax or local retail outlets -- to actually make their purchases.

Selling goods or services to consumers is certainly not new, but selling online is. Businesses rushing to establish an online presence sometimes neglect the fundamentals of consumer sales and customer service. Often even reputable and well-intentioned online businesses fail to provide basic contact information, essential contract terms and information about how to resolve a complaint or seek redress. The limited or non-existent face-to-face contact between online businesses and consumers underscores the need for a predictable and trustworthy electronic marketplace. The *OECD Guidelines for Consumer Protection in the Context of Electronic Commerce* are intended to help eliminate some of the uncertainties that both consumers and businesses encounter when buying and selling online, and clarify their respective rights and responsibilities.

How were the Guidelines developed?

All of the work of the OECD related to electronic commerce recognises that input from civil society is essential to the development of effective global approaches and tools. The work on the consumer protection *Guidelines* was no exception. The *Guidelines* reflect 18 months of discussion by the OECD Committee on Consumer Policy (CCP) working in close co-operation with business and consumer representatives -- both within the OECD (through the Business and Industry Advisory Committee and Consumers International) and at the national level.

¹ Source: NUA Surveys "How Many Online"

² Source: IDC Research

³ Source: Forrester Research, Inc.

What is an OECD Recommendation? Is this a law?

The OECD is an intergovernmental organisation comprised of 29 Member countries, drawn from the world's main developed democracies. The organisation provides a forum for governments to discuss economic and social policy in an effort to facilitate economic growth, jobs, trade and development. Although the OECD has no governmental powers, and works on a consensus basis, the exchanges among Member countries sometimes lead to policy Recommendations like the *Guidelines* -- other examples include the 1980 Privacy Guidelines and the Guidelines on Cryptography Policy produced in 1997. Although they are not legally binding, there is a strong moral obligation for the Member countries to utilise and implement these policy recommendations, which they themselves have jointly drafted.

How will the Guidelines be used?

The *Guidelines* are designed to be a technology neutral tool to help governments, business and consumer representatives by providing practical guidance to help build and maintain consumer confidence in electronic commerce. The *Guidelines* address the principle aspects of business-to-consumer electronic commerce and reflect existing legal protections available to consumers in more traditional forms of commerce. They stress the importance of transparency and information disclosure and the need for co-operation among governments, businesses and consumers at both the national and international level.

The Guidelines are intended to provide a set of principles to help:

- *Governments* - as they review, and (if it is necessary) adapt, formulate and implement consumer policies and initiatives for electronic commerce.
- *Businesses, consumer groups and self-regulatory bodies* - by providing guidance on the core characteristics of consumer protection that should be considered in the development and implementation self-regulatory schemes.
- *Individual businesses and consumers* - by outlining the basic information disclosures and fair business practices they should provide and expect online.

What about jurisdiction and consumer redress?

The work of the CCP to draft the *Guidelines* included a great deal of discussion of the issues related to jurisdiction, applicable law and access to redress. Because of the broad and horizontal nature of these issues, questions and concerns about how they might best be addressed within the context of electronic commerce are not unique to consumer protection. However the Internet's potential to increase the number of direct business-to-consumer cross-border transactions makes it important that consumer interests be fully taken into account.

The language on jurisdiction and applicable law within the Guidelines reflects the complexity and the current lack of international consensus on these issues. The Guidelines recognise that all business-to-consumer cross-order transactions are subject to the existing framework on jurisdiction and applicable law, but that electronic commerce poses certain challenges to that framework. The Guidelines call for further work to be done to address these issues and ensure that consumer interests are given appropriate consideration as the jurisdictional framework for electronic commerce evolves.

The Guidelines also focus particular attention on the importance of providing consumers with access to fair, timely and inexpensive means for redress and encourage the development of effective alternative dispute resolution (ADR) mechanisms. Taking legal action to resolve a consumer dispute is generally an expensive, difficult and time-consuming process for everyone involved -- problems that could be amplified in the event of cross-border disputes. Just as in other forms of commerce, the development and promotion of ADR can help

to avoid more formal and costly legal options. Responding to consumer complaints quickly, easily and fairly and establishing affordable and effective online dispute resolution mechanisms can go a long way toward building consumer confidence and trust.

What Happens next?

The Committee on Consumer Policy will continue to co-operate with business and consumer representatives, and all of civil society to ensure that the Guidelines are implemented effectively and help educate online consumers and business about their rights and responsibilities online. The CCP will continue to foster the international dialogue on consumer protection issues, encouraging government, business and consumer representatives to work together and learn from each other.