

Parliamentary panel on the Consumer Protection (E-Commerce) Rules, 2020

March 27, 2021

In news : The committee is headed by Member of Parliament Partap Singh Bajwa has tabled a report on the Consumer Protection (E-Commerce) Rules, 2020 in the Parliament recently

Key findings & and concerns

- **Predatory pricing:** It has found that predatory pricing by e-commerce firms may lead to wiping out of competition and be detrimental to consumers in the long run
- **Legal hurdles:** From a legal standpoint it was very hard to substantiate allegations of predatory pricing, since the impact of such practice on the competition in the market would be very difficult to prove
- **Unfair trade practice:** It noted that though the e-commerce enterprises offer many benefits, the development of the segment has rendered consumers vulnerable to new forms of unfair trade practices, violation of privacy and issues of unattended grievances.
- **Wiping out competition:** It has also noted that predatory pricing as a short-term strategy, adopted by some of the market giants with deep pockets to sustain short-term losses and reduce the prices of their products below the average variable costs may lead to wiping out competition from the market and could be detrimental to the consumers in the long run
- Amid increasing cases of fake reviews and unfair favouritism in the display of goods, the committee said it did not agree with the Ministry's clarification

regarding the legal provisions to deter deceptive tactics used by merchants in order to gain a competitive advantage over others

Recommendations of the committee

- **Define the unfair trade practice for e-com:** The Committee recommends that there should be a more clear-cut definition of what constitutes Unfair Trade Practice and practical legal remedy to tackle such circumventing practices by e-Commerce entities specifically Multinational Companies and Kirana Small Vendors
- **Fix cap on delivery charges:** It has also recommended fixing a cap on delivery charges levied by e-commerce firms, as well as providing for penal provisions for violation of rules related to misinformation.
- **Issue broad guidelines:** The committee suggested that the Ministry of Consumer Affairs, Food and Public Distribution should issue broad guidelines for the fixation of delivery charges charged by the marketplace entities along with a cap on the highest limits of the delivery charges in peak hours of service
- **Clearly distinguish the Rules:** It said that the Ministry should clearly distinguish in the Rules itself the cases of misinformation, no information and the information which is otherwise correct but creates a false impression and provide for penal provision for each case in the Rules itself
- **Define drip pricing:** The Ministry should also clearly define 'drip pricing wherein the final cost of the product goes up due to additional charges, and provide for protecting consumers against this by including penal provisions for violation.
- **Protection of privacy of users:** For protection of privacy of users and security of their data, the panel has recommended that users' personal data may be categorised as per the level of sensitivity and,

appropriate protection may be assigned for each level

- **Secured payment system:** The panel recommends that the Ministry should ensure that a secured and robust system of payment gateway is made available to the consumers so that the transaction-related data of the users is not compromised in any way
- **Establish data centre in India:** The panel also suggested that all major e-marketplace entities should establish their data centre in India, so that consumer data are not hosted in a server outside the borders of the country, “which may be misused by an enemy country”.
- **Sufficient protection to such small/local vendors:** Pointing out that many MNCs as well as offshore based companies were involved in e-commerce, it recommends that sufficient protection to such small/local vendors should be given in the Rules itself and the Ministry should devise out ways in which such small retailers may also become part of e-commerce
- **Fake reviews :** It recommended that some corrective mechanism to discourage deceptive tactics including manipulation of algorithms, fake product reviews & ratings must be created so that the consumer interest is not harmed in any way.
- **Define the role of customer service:** The committee also recommended that the duties and responsibilities of customer service provided by the marketplace entity should be clearly spelt out in the Rules itself
- **Dedicated customer care number:** It suggests that the Ministry should also direct e-commerce entities to provide a dedicated customer care number as well as a mechanism to monitor the time taken by customer care executives to resolve an issue⁴

Consumer Protection (E-Commerce) Rules 2020

Scope and Applicability

These rules shall apply to:

- All goods and services bought or sold over digital or electronic network including digital products
- All models of e-commerce, including marketplace and inventory models of e-commerce
- All e-commerce retail, including multi-channel single brand retailers and single brand retailers in single or multiple formats; and
- All forms of unfair trade practices across all models of e-commerce: