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# Conference Report 4/2015

Consumer Protection in the V4: What to Do?

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October 2015

## Consumer Protection in the V4: What to Do?

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**Kryštof Kruliš**

*October 2015*



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## **The smooth functioning of the internal market among V4 countries: Perspectives of consumer protection groups**

Consumer protection groups form an important part of the civil society which help to balance the relationship between professional and well organized traders and dispersed consumers. Each Visegrad Group (V4) country has a specific set of organically developed consumer organizations. The high degree of interconnection in the V4 region and similarities of particular consumer protection issues (e.g. aggressive doorstep selling practices or off-premises promotion campaigns) suggest that V4 consumer organizations should be involved in a higher level of mutual networking and also in lobbying for shared aspects of consumer protection legislation at the EU level.

The workshop consisting of representatives of the consumer protection groups of V4 countries and with participation of Polish authorities responsible for internal market focused on the following topics (1) the consumer protection in cross-border situations; (2) the common interests of consumer protection in V4 countries; and (3) financing of activities of consumer organizations in V4 countries.



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### Main conclusions and recommendations

- The cross-border consumer protection cases are dealt with through European consumer centres but consumer organizations are also involved either as the initial point of contact or even as the final provider of advice.
- Opening of the operation of the European consumer centres or parts of their tasks in V4 countries to the competition of consumer organizations would help to stabilize financial situation of consumer organizations and provide guaranteed income for a work on which they are already partially involved.
- The European consumer centres are not connected to the Internal Market Information System (IMI). Connecting European consumer centres and possibly also consumer organizations to IMI system has a big potential for further development of the system and for the consumer protection on cross-border cases.
- The lower quality of some of the products (especially in case of food or laundry detergents) in the V4 countries in contrast to the quality in the neighbouring countries like Germany or Austria, despite marketed at similar prices, could be connected to the much lower activism and mobilization of customers in V4 countries, including power of consumer protection groups.
- Further common V4 issues of the consumer protection interests include for instance a due provision of guarantee by the traders or off-premises contracts. These were identified also as potential issues where higher harmonization of EU consumer protection standards (if provided by the national legislation above the consumer protection standards demanded by the EU law) could be worth considering in V4 countries.
- Different level of co-financing required for projects in individual V4 countries may lead to varying ability of consumer organizations to meet requirements for co-financing in joint projects (such in case of the International Visegrad Fund).
- The Polish example of a Public Private Partnership (PPP) organized by the Chief Sanitary Inspectorate together with a federation of businesses for increasing education and informed choices about consumption and healthy life-style could be considered as a model for financing programmes for the benefits of consumers also in other V4 countries.



### Consumer protection in cross-border situations: Practice of consumer organizations in V4

The main consumer organizations in V4 countries provide information only in the language of its country. English or languages of other V4 countries are not used. The exceptions are websites of European consumer centres in each country, which, besides language of the home state, provide also full version in English (but not in other V4 languages). Basic information on organization of consumer protection in English is available also on websites of the public administration offices that have consumer protection in their agenda. Again, in this case other V4 languages are usually not available. The testing magazine dTest, which has a Czech as well as Slovak online language versions is an exception between websites and web-magazines provided by consumer organizations.

The common practice of the consumer organizations in case of **outbound consumer protection request** (i.e. requests for a consumer protection of a citizen of one V4 country which involves jurisdiction of a trader in another V4 country) is to refer the case to the network of the **European consumer centres**<sup>1</sup> or in rare instances help to resolve it with its own capacities (mostly in case of Czech and Slovak cross-border cases). The network is result of an initiative of the European Commission together with the member states of the EU, Norway and Iceland with centres in all 30 states (EU28 plus Norway and Iceland). Their primary goal is to provide assistance to consumers in resolving complaints about purchases made in another country of the network, either made on travels or via online shopping. European consumer centres do not deal with domestic consumer claims (i.e. when the consumer and the trader are from the same country) and redirect such cases to consumer protection organizations.

When meeting an outbound cross-border claim, the consumer organizations in V4 redirect the claimant consumer either 1) to the network of European consumer centres as such (leaving the choice to the claimant), 2) to the European consumer centre in the country of the claimant, or 3) to the European consumer centre in the country of the trader. The difference between the first and the second alternative is the following. Referring to the European consumer centre of the country of the claimant provides better comfort of the consumer, who can use his/her own language when contacting the centre. However, it usually takes two steps, when the contacted European consumer centre of the country of the claimant usually refers the case further to the European consumer centre of a trader. It is therefore more time consuming. On the other hand, redirecting the claimant directly to the European consumer centre of trader means that the consumer must deal with the foreign European consumer centre in English. It may be quicker, but in several cases the national consumer protection

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<sup>1</sup> European commission. European consumer centres. Available at:  
[http://ec.europa.eu/consumers/solving\\_consumer\\_disputes/non-judicial\\_redress/ecc-net/index\\_en.htm](http://ec.europa.eu/consumers/solving_consumer_disputes/non-judicial_redress/ecc-net/index_en.htm).



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groups faced the situation that the foreign European consumer centre did not respond to such direct call until contacted through the European consumer centre in the country of the consumer. The result in this case was that the solution was delayed even more than if the indirect alternative had been used from the onset.

**Inbound consumer protection request** happen when a foreigner seeks a help regarding the trader which is established in the country of the consumer organization. In such a case the V4 consumer organizations are able to meet the request in case that it is made in an available language, mostly in English, or in some cases also in the languages of other V4 country. Hungarian consumer organizations mostly suggest resubmitting the request in English if it is made in other V4 languages. Advising in another V4 language is most probable between Czech and Slovaks, in Polish in the regions of the Czech Republic neighbouring with Poland or in Hungarian in Slovak regions with Hungarian minority. The European consumer centres sometimes also seek help of the national consumer organizations when dealing with domestic consumer protection issues that were redirected to them from other states.

The demand for both inbound and outbound consumer cases in V4 dimension is not very high. Its frequency however from time to time significantly increases with issues of a regional impact such as in case of the Slovak *SkyEurope Airlines* that went bankrupt in 2009 leaving number of customers demands for compensation for abolished flights.

The European consumer centres seem as useful tool in helping with the cross-border consumer claims. They are mostly established as parts of a public institutions (e.g. at the Czech Trade Inspection Authority) and financed from national and EU funds. This provides basic standard and level of operation in every EU member state. On the other hand, it has been mentioned by the representatives of the consumer organizations, that the help provided through the European consumer centres is extremely costly in contrast to help provided by the consumer organizations as part of the civil society. For instance, it has been mentioned that the Slovak European consumer centre received in 2012 only 600 calls. Counting all the money invested in its operation the cost to taxpayers of one single case was more than 150 EUR, significantly more than the costs for which the NGO consumer organizations operate. The European Commission claims that the whole European consumer centres network during the 10 years of its operation annually received more than 65,000 requests for information about EU consumer rights and annually assisted about 30,000 consumers.<sup>2</sup> In contrast to this, the two biggest Polish consumer organizations only claim much higher frequency of activity. The *Polish Consumer Federation* claims to provide 56,575 consumer

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<sup>2</sup> Ibid.



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advice and answer 40,000 incoming calls in one year.<sup>3</sup> The *Association of Polish Consumers* claims to provide about 3,000 consumer advices monthly.<sup>4</sup>

It has been therefore suggested to **consider opening operation of the European consumer centres or parts of their tasks in V4 countries to the competition of consumer organizations.** This would help to stabilize financial situation of consumer organizations and provide guaranteed income for a work on which they are already partially involved.

The European consumer centres are not connected to the Internal Market Information System (IMI) as it has been used to address issues that involve public authorities and consumer claims involve only private relationship (between a consumer and a trader). **Connecting European consumer centres and possibly also consumer organizations to IMI system has been mentioned as a big potential for further development of the system and for the consumer protection on cross-border cases.** The consumer organizations could use the IMI system and its linguistic tools and forms to contact consumer organizations from other states and even send suggestions for inspections by the state authorities.

## Common interests of consumer protection in V4 countries

While such issues as product safety or low quality of some of its parts that shortens product durability were identified as common for the interests of consumers of the whole EU, some consumer protection issues relevant in V4 countries differ from the rest the EU.

One of the main issues is the proven **lower quality of some of the products** (especially in cases of food or laundry detergents) in the V4 countries in contrast to the quality in the neighbouring countries like Germany or Austria, despite marketed at similar prices. This has been connected with much lower activism and mobilization of customers in V4 countries, who are less active in seeking their rights and demanding highest standards of goods and services. Also the civil society (including consumer organizations) in V4 countries is still weaker than in case of the western EU states.

Further issues of the common consumer protection interests that are much more relevant in the V4 countries, in contrast to the experience of the consumers in countries like Germany, include for instance issues regarding due provision of guarantee by the traders or off-premises contracts. These were identified also as potential issues where higher

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<sup>3</sup> BEUC. Polish consumer federation. Available at: <http://www.beuc.eu/beuc-network/members/polish-consumer-federation-%E2%80%93-federacja-konsument%C3%B3w>.

<sup>4</sup> BEUC. Association of Polish consumers. Available at: <http://www.beuc.eu/beuc-network/members/association-polish-consumers-skp>.



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harmonization of EU consumer protection standards (if provided by the national legislation above the consumer protection standards demanded by the EU law) could be worth considering in V4 countries. Both for learning from experience of dealing with problems that are similarly relevant in other countries and for the sake of improved orientation of consumers and also traders in consumer protection.

For the off-premises contracts the shared experience in the Czech Republic, Slovakia and Poland is that the most significant cases of aggressive practices that are also frequently targeted at weaker groups of the population (elderly people or foreigners without sufficient language knowledge) come from representatives of utility sectors which have been liberalized (gas, electricity). New providers use aggressive practices to increase their market share. The situation in Hungary has been reported as different due to dominance of the national gas and electricity supplier and low significance of its competitors. While this may be less advantageous for consumers in lowering real choice on the market, it also had a result in a smaller risk of aggressive practices of door-to-door tradesmen of utility providers.

## Financing consumer organizations activities in V4 countries

One of the common features of the operation of consumer organizations in V4 countries is limited financing. This is a common trait of the transforming post-communist countries where the civil society is still significantly weaker and more dependent on state financing than it is the case in other developed countries. The small size of the civil society sector in post-communist countries represents only 2.6% of the economically active population (compared to 7.5% in Western countries, and 8.7% in countries of the Anglo-Saxon civil society model).<sup>5</sup>

Consumer organizations in V4 countries are largely dependent on the state tenders for programmes that are annually provided by the relevant ministries or regional authorities. Failure to succeed in the tenders may lead to “hibernation” of activities of the consumer organization for a whole year until new possibilities are opened in the next round of tenders. The member fees bring only a very small part of the income. In some V4 countries (e.g. Slovakia) there is a possibility of tax assignments in which every taxpayer (being a natural person or a corporation) may assign a part (small percentage) of the income tax to be transferred to a specific civil society organization, including consumer organizations.

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<sup>5</sup> F. Desse, *The Role and Structure of Civil Society Organizations in National and Global Governance Evolution and outlook between now and 2030*, AUGUR Project no. SSH-CT-2009-244565. Fifth draft June 2012, p. 33.

<sup>5</sup> Ibid, p. 14.



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The tendering system posts several challenges to the operation of consumer organization. Their cash flow is influenced by the programmes period. In the Czech Republic the applied time slots for payments for programmes result that some of the consumer organizations must operate for a part of the year without available resources to pay their everyday costs, including wages.

There are different conditions for co-financing of the projects in each of the V4 country. In the Czech Republic the co-financing of at least 30% is demanded in the programmes by the ministries and even higher share (up to 50%) is demanded by regional authorities. In Slovakia, the 10% co-financing is usually demanded and it could be covered by a certificate of the sufficient account balance of the organization. In Hungary, no co-financing is required and the tenders usually cover 100% of the costs. This may however post a problem for including Hungarian consumer organizations in projects demanding co-financing (like in case of the International Visegrad Fund) as they have less experience with finding sources for co-financing than in the other V4 countries where co-financing is a general rule. In Hungary the primary source of financing of the tenders were fines imposed on traders for violation of consumer protection rules. This practice is currently kept only for consumer protection projects in the financial sector and fines imposed by the Hungarian Central Bank are used for this purpose.

The general problem of financing of the operation of the consumer organization is also a practice in which most of the grant proposals by consumer organizations are approved only after significant reduction of demanded finance for the project. The project itself with all its tasks is however usually left untouched and has to be implemented in its original extent for the reduced amount of money. This brings the consumer organizations in V4 countries to rely highly on the work of volunteers.

It has been mentioned that in Poland there is a long term experience with a programme of education of pupils and students for a healthy life style, including alimentation habits. This programme is provided as a Public Private Partnership (PPP) organized by the Chief Sanitary Inspectorate together with a federation of business (receiving money from foreign and domestic companies in the food processing industry as well as from the state). It does not include consumer organizations but covers educational activities that are in other V4 countries provided also by consumer organizations. It has reached over 6 million young people/consumers and helped them to make informed choices about their way of consumption. The program has been in operation for 9 years. It has been mentioned that the consumer organizations do not receive funding from individual companies in order to prevent possible conflict of interests. The Polish example however has been proven as a viable concept, which uses interest of private companies to present themselves as socially responsible and gathers their finances into a budget that is used for a project benefiting the





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common good of consumers and helping with education of informed choice. It has been identified as a win-win situation worth of considering in other V4 countries.



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## Workshop program:

Moderated by: **Kryštof Kruliš**, Research Fellow with the Association for International Affairs (AMO); Czech Republic

**Gabriela Bartošová**, Consumer Defence Association of Moravia and Silesia

**Miroslav Tulák**, Association of Slovak Consumers

**David Kóródy**, National Federation of Associations for Consumer Protection in Hungary

**Martyna Perek**, IMI Coordinator, Poland

**Bartosz Świątkowski**, Office of the Director General of the Chief Sanitary Inspectorate, Poland

The workshop covered the following questions:

- Does all the main consumer organizations' websites in your country provide at least basic information in English or in the languages of the other V4 countries? Can you provide assistance to consumers from other V4 countries in their language? How many applications from consumers from other V4 countries do you receive every year?
- Are there joint interests specific to consumers from the Visegrad region? Can they be jointly addressed in campaigns and by the lobbying of consumer organizations from all V4 countries? Do you have access to sufficient resources for such joint actions?
- Is there opportunity for the closer approximation of consumer protection regulations between the V4 countries that could go beyond the level of harmonization at EU level?
- Would such additional approximation improve the comprehensibility of regulation for consumers and even traders?

During the workshop, AMO presented the research paper [Internal Market among V4 Countries: Energizing stakeholders' activity to press for its smoother functioning](#) which was written as a background material for a further analysis to be conducted during the course of the project. PPT presentation is available [here](#).

The international workshop was a part of the [Smooth Functioning of the Internal Market between V4 Countries](#) project supported by the International Visegrad Fund. The project is a platform for meetings of experts, representatives of media, consumer organizations, chambers of commerce and public administrations from Visegrad countries in order to discuss possibilities of enhanced functioning of internal market in the Central European region.



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## **ASSOCIATION FOR INTERNATIONAL AFFAIRS (AMO)**

AMO is a preeminent independent think-tank in the Czech Republic in the field of foreign policy. Since 1997, the mission of AMO has been to contribute to a deeper understanding of international affairs through a broad range of educational and research activities. Today, AMO represents a unique and transparent platform in which academics, business people, policy makers, diplomats, the media and NGOs can interact in an open and impartial environment.

### **In order to achieve its goals AMO strives to:**

- formulate and publish briefings, research and policy papers;
- arrange international conferences, expert seminars, roundtables, public debates;
- organize educational projects;
- present critical assessment and comments on current events for local and international press;
- create vital conditions for growth of a new expert generation;
- support the interest in international relations among broad public;
- cooperate with like-minded local and international institutions.

## **RESEARCH CENTER**

Founded in October 2003, the AMO Research Center has been dedicated to pursuing research and raising public awareness of international affairs, security and foreign policy. The Research Center strives to identify and analyze issues crucial to Czech foreign policy and the country's position in the world. To this end, the Research Center produces independent analyses; encourages expert and public debate on international affairs; and suggests solutions to tackle problems in today's world. The Center's activities can be divided into two main areas: first, it undertakes [research and analysis](#) of foreign policy issues and comments on [AMO blog](#); and second, it fosters dialogue with the policy-makers, expert community, and broad public.

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