Consumer protection: cross-border infringements, administrative and legal cooperation (Regulation on consumer protection cooperation)

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The Commission presents a report assessing the effectiveness of Regulation (EC) N° 2006/2004 on consumer protection cooperation (CPC Regulation). The aim of the Regulation is to create a formal cooperation framework between national enforcement authorities responsible for the enforcement of consumer protection laws, with the aim of addressing problematic practices with a cross-border dimension.

Policy background and key figures: the report notes that compliance with consumer rules is still an issue that impacts on consumers' and traders' trust in cross-border markets in the EU:

- estimates based on a representative sample of **five online sectors** (clothing, electronic goods, recreation, consumer credit and package travel), show that **37% of online traders** in the EU do not respect consumer law. This results in a consumer detriment of about **EUR 770 million per year** in the surveyed sectors alone;

- according to a 2014 Eurostat survey, only **15% of consumers reported having bought online** from other EU countries, while 44% did so domestically. While 61% of EU consumers feel confident about purchasing via the Internet from a retailer located in their own country, only 38% feel confident about doing so from a trader located in another EU country;

- within retail trade, the e-commerce market share remains lower in Europe than in the USA: in 2014 it was **7.2%** compared to 11.6% in the USA.

In the Digital Single Market Strategy and the Single Market Strategy adopted in 2015, the Commission set down its ambitions to unleash the potential of cross-border consumer markets, **both online and offline**, to sustain economic growth in the EU. It considers that it is **only through cooperation that national authorities** can effectively address consumer law infringements taking place in a cross-border context, especially in the digital environment where transactions know no borders.

The Commission carried out a **thorough assessment** of the functioning of the CPC Regulation. This analysis included an external evaluation (2012), a public consultation (2013-2014), two biennial reports (2009 and 2012), and the Commission report in 2014 on the functioning of the CPC Regulation.

Since the assessment pointed out the need to improve and modernise the CPC Regulation a detailed impact assessment of various possible options was performed in 2015 to assess the need for a legislative proposal to amend the CPC Regulation.

Assessment of the effectiveness of the CPC operational mechanisms: the evaluation showed that the Regulation allowed national authorities to stop infringements across borders:

- since 2007, **more than 4,500 e-commerce websites in various economic sectors have been screened** for infringements of EU law resulting in an increased level of compliance;

- in 2014, a further step in **enforcement cooperation** was made with the launch of coordinated actions requiring the concerned traders to cease unfair commercial practices in areas of common interest across the EU (for example, in the field of car rental or of online games offering "in-app" purchases).

Despite the positive outcomes concerning the relevance of the objectives of the Regulation, the external evaluation and public consultation pointed identified **following issues** hindering the efficiency of the Regulation:

- competent authorities in Member States minimum investigation and enforcement powers, which are insufficient to cooperate efficiently and swiftly especially in the digital environment;

- market intelligence is insufficiently shared;

- the mechanism for address infringements concerning several countries is limited.

Modernise the CPC Regulation: in view of these observations, the Commission proposes to modernise the current CPC Regulation in order to improve the cross-border enforcement of EU consumer laws.

On the basis of the Commission's impact assessment, it was estimated for the subset of five online markets studied that a decrease of 10 points in the non-compliance rate of 37% could **reduce the detriment** from an estimated EUR 770 million per year **to about EUR 539 million, i.e. by 30%.**

The amendments to the CPC Regulation proposed by the Commission concern the following aspects:

- **clarify the scope of the Regulation** to cover widespread infringements to Union consumer laws occurring simultaneously in several Member States, irrespective of the organisational structure of the trader concerned; **extend the scope of the Regulation** to cover infringements which may last for a relatively short time (e.g. misleading advertisement campaigns over a few days) but which have a lasting harmful impact on consumers;

- **enhance the clarity, speed and efficiency of the alert mechanism**, and allow European Consumer Centres and consumers and traders associations invited to do so to post alerts about possible infringements as an information for enforcers;

- **clarify the scope of some of the existing minimum powers** needed by competent enforcement authorities for cooperation;

- establish a **planning system** that will allow coordination of enforcement priorities for cross-border enforcement activities and of the resources allocated to national authorities;

- clarify that evidence can be efficiently shared across the network and seamlessly used within the various national jurisdictions, without requiring it to be in specific form or formats; clarify the cooperation procedures; and **strengthen the coordination role of the Commission** and the Single Liaison Offices;

- **take action against widespread infringements** harming consumers in most of the EU economy (i.e. in at least 3/4 Member States, accounting together for at least 3/4 of the EU population), through **one common procedure,** main aim of this which would be establish the infringement and

to stop it through cooperation with the concerned operators at the EU level, through commitments of traders to changing their practices. Where companies refuse to cooperate or fail to implement their commitments, Member States should take enforcement actions in a coordinated manner.

Since the proposed changes are numerous, the Commission **proposes to replace the current CPC Regulation** with a text that will consolidate all these amendments.