ONLINE SHOPPING IN INDIA: ISSUES AND CHALLENGES WITH SPECIAL EMPHASIS ON THE CONSUMER PROTECTION BILL, 2015

Prof. (Dr.) Nuzhat Parveen Khan*
Unanza Gulzar**

ABSTRACT

Contemporary era has seen an exponential development in the purview of online shopping in India. Numerous electronic retailers have made accessible an altruistic display of merchandises at a click. Shoppers have progressively occupied to this inclination as it is manifested from the progression of this sector. According to a recent report India will account for one of the largest world’s middle class shopper place in the market by 2017, an estimated accumulated shopper’s exploitation of United States $60 Billion. Paralleling goods and amounts was on no occasion opportune. This fetches into the open the probe whether shoppers of online shopping effectively are protected under the Indian Laws. Hence, this paper highlights that this fresh medium fetches with it innovative threats which necessitate to be addressed and accounted for in domestic laws. Further, the paper emphasizes that exploiting evidences for publicizing determinations, fraudulent accomplishments, material stealing are only a few examples of threats that shoppers face each time they choose to go online shopping and there are numerous testified illustrations where the online providers transported smashed goods, mistaken goods or no goods at all. Further, the paper highpoints the encounters consumers face in online marketing ranging from jurisdictional issues to privacy issues to insecure payment

* Dean, Faculty of Law, Jamia Millia Islamia, New Delh.
** Research Scholar, Faculty of Law, Jamia Millia Islamia, New Delhi.
methods to deferred delivery to poor comment section. It further highlights the Consumer Protection Bill, 2015 in relation with technological advancements occurring in the shopping space. And, at last argues whether this Bill, is appropriate to safeguard the shopper from these malevolent challenges.

I. Introduction

OVER MORE THAN a decade now, the Internet has virtually made our globe smaller. The bit of scarce keystrokes empowers individuals to communicate, engross in trade, and co-operate with others round the globe. Simply put, technology has fundamentally changed the way the businesses were handled by society including consumers. This global presence of internet has enabled businesses to reach new markets and millions of new potential customers. As a result, ‘Online Commerce’ commonly known as ‘Electronic Commerce’ has become one of the wildest developing region around the world and online shopping is a part of it. “While being able to access global markets, online commerce or e-commerce has enabled businesses to bypass the traditional intermediaries in domestic jurisdictions. Besides, owing to its lower transaction costs, online commerce has caused a steady increase in the number of sellers and suppliers in the market, thus increasing diversity and competition in the market. Therefore, online commerce has been rightly categorized as the new face of entrepreneurship which encompasses existing companies, organizations, small businesses and individual online traders.”

The term e-commerce of which online shopping is a component, is the performance of purchasing or vending merchandises, services, or other information done through an e-
network to consumers. In 1960s first time electronic commerce was presented through an EDI on VANs. Electronic commerce is preferable rather useful because of numerous reasons, say for example, access to products, which may not be accessible otherwise, becomes quite convenient. That is true particularly in rural areas. Besides, it acts as an effective mode of entering into transactions, for consumers as well as retailers and has made possible low value cross-border transactions to an extent that could have been unthinkable previously.

II. Online Shopping: An Indian Perspective

With the advent of Internet, online shopping has been referred to, as a website, where the goods or services are sold off directly by means of shopping cart and permitting mode of payment through card system. Further, it contains guiding the business with the assistance of electronic mass media, creating the practice of IT likewise, electronic Data Interchange.

Over last few years, India too embraced e-commerce as a newer and modern face of business entrepreneurship. Since 1991, after India’s economy was liberalized with an outlook to assimilate through the world economy, the prerequisite to assist over with policy and procedural reforms in international trade has become the basis of countries vocation and monetary policies. Consequently, past few years have perceived a revolution in technology with the extensive growth of the Internet, along with the application together with other technologies. Online commerce or electronic commerce as a portion of IT uprisings has become extensively used in global trade as well as the Indian economy.²

Electronic commerce, though in its nascent stage, deals with various challenges in an emerging country like India- a country

Online Shopping in India

which dreams of electronic commerce destination for different players. However, to fulfill this dream, India should have high literacy rates in urban areas and high growing literacy rates in rural area, speedily developing users of internet, advancement in technology and various other additional factors. Particularly, there have been huge advances in India in reverence to E-Shopping.

E-Shopping has in the recent years, gained a huge momentum. The Internet has made possible for a seller to open a shop through a web portal, which can be even run from his home, and for a consumer or shopper to place an order right from his home. Besides, there is no speculative geographic boundaries, little functioning expenses and healthier excellence of services, neither requirement of actual set up of any establishment, nor any physical movement for choosing goods from different vendors and larger reach of shoppers. Indian Government had already recognized the requirement of emergence of information technology and its infrastructure as they are crucial to the development of finance.

As a corollary, the government, over the last two decades, articulated open-minded guidelines, substantially successful, for the growth and progress of an industry of the Information technology. “Approximately today in India there are around 80 million Internet operators. Though significantly lesser than worldwide point of reference (typically 31% of the aggregate people), yet the figures signal the booming start of the Indian e-business success.”

However, there is the other side of the story as well that is, online shoppers sometime receive mistaken goods, destructive goods in transit, deferral in conveyance of product or from time to time, shopper does not get the goods. Moreover online shopping fraud is another issue of concern. There are number of instances like a Pune based business man who ordered an iPhone from Snapdeal

---

3 Id. at 22.
but received a box containing pieces of wood inside. Since the mode of payment was cash on delivery accordingly he refused to pay.\(^5\) Again, a B.Tech student saw a listing of iPhone 5S which was priced at Rs. 68 and accordingly he ordered the same. However, later the order was cancelled by Snapdeal so he chose to proceed against Snapdeal. Thereby, Consumer Court slapped Rupees ten thousand fine on Snapdeal for not delivering iPhone for rupees sixty eight.\(^6\) Another instance of a consumer ordered a Samsung Galaxy Note via Flipkart but discovered a Nirma soap delivered to his address instead of cell phone. The consumer registered a complaint with the police and after various complaints, Flipkart returned him money.\(^7\) In 2007, the shopper filed Online payment fraud reached to $329 million compared to 2006, when it was $198 million reported by Internet Crime complaint in the year 2008.

### III. Fortification of Online Shoppers: Encounters and Defies

Online Commerce or E-commerce, certainly, affords us transactions that otherwise would not be possible. However, as experience shows, it is not immune to consumer harm either. It is evident that much progress has been made in jurisdictions like United Kingdom and USA with respect to the protection of consumers on the Internet. Very little attention, however, has been

---


paid to the online consumer protection in India. In addition to above, there is the revolution in the modes of business which has thrown newer challenges to the consumer, like, invasion of privacy, insecure payment methods, jurisdictional issues etc.

Incursion of Privacy

To make out a case for privacy invasion in the world of online shopping, it is arguable that the huge network of computers that makes up the Internet has brought people closer and made many communications that were once considered private. Internet users are, invariably, required to give their personal information, which, they otherwise regard as private. The personal information may range from an individual’s financial details to sexual preferences to medical history to shopping patterns to address details and the families are usually asked by these organizations without disclosing the need for its collection details. In fact organizations construct a detailed personal profile of a user as a result of activity on the internet may not be a concern for a user as long as they get something for it in return, in fact not keeping data safe. Also, there is a problem regarding cross trans-borders. For example, when a person buys any goods online, he is required to visit a particular website where he is asked to fill in his/ her name, address, phone number, date of birth etc. but what is the guarantee to this person against sharing this personal information with a third person. Violation of privacy over internet includes, spreading of complex and trustworthy personal information ranging from financial to medical of persons and establishments; tracing activities of shoppers by means of cookies and distributing spam emails.

8 Supra note 4 at 160.
Jurisdictional Issues

Over the past decade, the internet has made our globe smaller in terms of online market. Moreover it has the capability to cross boundaries little of parting one’s breathing area and has made a jurisdictional vacuum which needs to be occupied. “Numerous challenging queries mandate responses in any transaction like where can the litigants prosecute? Which country’s law will apply? For instance, a shopper who lives in India possibly will purchase a couple of fabrics as of a professional situated in United Kingdom through the website of professional”. On the face of it, such professional will have contacts to dual nations i.e., India and United Kingdom. Likewise, contacts to other nations may too arise; for instance, if the website of the UK professional is maintained by a server located in the USA, or the fabrics have been synthesized by an establishment in China. It is possible that dealer and purchaser might be living in two diverse nations and the business is situated in the third nation. The queries which rise, in situation of differences is like which court might have prerogatives? Which law of the nation is applicable in which shopper lives or dealer lives? By what are the means to enforce verdict?

In India Jurisdictional matters are obtained by any of the following; by the place of residence, or place of business, or cause of action. But the cause of action is a personal test among the three and is utmost possible to be deliberated in electronic commerce subjects. The above suggests that Section 13 of the Information Technology Act, 2000 (IT Act hereinafter) is never in synchronization with section 11 of the Consumer Protection Act (CP Act hereinafter). Section 13 delivers, wherever an instigator (offeror here) or the

---


11 Section 20 of the Civil Procedure Code, 1908 (Act No 5 of 1908).
recipient (offeree) has more than one place of business then principal place of business shall be deemed as the place where the electronic record have been dispatched or acknowledged. The place of business will obtain the jurisdiction of the court and in case there is a disagreement amongst them concerning agreement shaped by electronic means, at that time the case intend to be in the law court in the interior the limited restrictions of whose jurisdiction, foremost domicile of professional of the contrasting party is located.

In contradiction of it, the Consumer Protection Act delivers that a shopper can file a grievance contrary to the opposed in a District Forum inside the local boundaries of whose jurisdiction the contrary party, has a division workplace. On the face of it, there is a fight amongst the two sections and law is integrated in section 13 is possible to reason problem to the shoppers specifically which the CP (Amendment) Act, 1993 detached by including the current rule.

Reticent Payment Method and Digital Payment Failures

Again, online shopping is similarly vulnerable to the insecurity in payment systems. This is so because nearly each of these devices claims participation of a third party to assist as an intermediary to the transaction. The intermediary may have a contractual relationship with the buyer, the seller, or both depending on the mechanism of the transaction. In some cases, one party may not even have the knowledge that an intermediary is being used. The chief advantage of this instrument lies on the fact that they are resourceful and expedient selection as it qualifies a shopper to purchase from everywhere.

The disappointment of electronic payments at all times emerges though making electronic communications whether a

---

13 Supra note 4 at 161.
shopper is making payment by net banking, debit or credit card. An uncertain internet link or a mechanical problem frequently leads in to be paid sum being deducted as of shopper’s account short of being accredited to vending party. Besides recovering this sum is nevertheless a swift course; a person has to notify the website and then wait around 7-10 days before the sum is reimbursed in their account. However, this condition is gradually improving as the segment is concentrating further on cashless transactions and shoppers are receiving extra information and paying online.\textsuperscript{14}

\textit{Deferred Delivery}

Adjournment in the conveyance of goods endures to persist one of the utmost common grumble of the consumer. The web stores do not give any security as to the period of conveyance. Thus, it is contended that those online stores should be fixed with accountability in the background of facilities they provide under CP Act as it would else amount deficiency in service under CP Act.

\textit{Multifarious Contractual Hitches}

The Indian Contract Act, 1872, (IC Act \textit{hereinafter}) while commending the manner in which contracts are to be made and executed, lays down certain criteria for the contracting parties to enter into a valid and binding Contract under Section 10. But, in e-commerce transactions (online shopping), what happens is that the contractual terms are already set by the seller and the consumer is only required to click on an ‘Ok,’ ‘I Accept’ or ‘I Agree’ button to enter into a contract. Therefore, with this shift in the means of entering into a contract, the user is being afforded the choice of

\textsuperscript{14} Tarun Mittal, “Common problems faced by customers while shopping online”, \textit{Empower your business}, April 04, 2017 available at: https://yourstory.com/2017/04/common-problems-online-shopping/ (last visited on April 29, 2017).
accepting or rejecting the agreement and acceptance alone entitles him to access the services. Therefore, leaving the consumer in a position where he can’t bargain or negotiate on terms and with no *consensus ad idem* thereby restricts the remedies available to consumer.

*Week Comment Scheme*

In the online mode of shopping at hand, there is barely any complaint redressal mechanism. These online shops only deliver telephone number, email id and address on their online website. But practically at the most these online stores do not resort outcome which is stoking the consumer in distress.

**IV. Legal Issues Online Shoppers face**

There are no adequate laws, protecting the online consumer, in place in India. It is true, that the provisions of the laws, for example, The CP Act, 1986, The IC Act, 1872, The Sale of Good Act, 1930, which apply to off-line transactions, also do apply to those concluded online also. Yet, they, surely, are inadequate in the overall protection of the shopper in the online transactions. However, there are certain loopholes present in our legal system discussed as under

Yet another concern with respect to online shopping is the complexity of contractual terms the sellers employ in the agreements. The Indian Contract Act, 1872, while prescribing the manner in which contracts are to be made and executed, lays down certain criteria for the contracting parties to enter into a valid and binding contract like that of (a) competence of parties (b) lawful consideration (c) free consent (d) lawful object (e) intention to create legal relations. But, in e-commerce transactions (online shopping), what happens is that the contractual terms are already set by the seller and the consumer is only required to click on an ‘Ok,’ ‘I Agree’ or ‘I Accept’ button to enter into a contract. Therefore, with this shift
in the means of entering into a contract, the user is generally being afforded the choice of accepting or rejecting the agreement and acceptance alone entitles them to access the services. There is no opportunity for negotiations of terms, therefore, leaving the consumer in a position where he can’t bargain. Interestingly, the primary purpose of the terms and conditions is to absolve the service provider from all forms of liability like in case of the defect in goods, deficiency in the overall services etc. This has limited the scope of remedies available to the consumers. Delay in the delivery of goods also happens to be the most common grievance among the consumers in case of online shopping.

However, the term consumer defined under the Consumer Protection Act 1986, does not cover online consumers. Moreover, given that the average length of these contractual terms and conditions is, more often than not, tedious, it is not humanly possible for an ordinary internet user to read them before clicking on the ‘I Accept’ button. A simple perusal of the different terms and conditions imposed by the online business sellers on the consumer clearly indicate that a large number of terms are against some established fundamental legal principles recognized under different laws like The CP Act, 1986, IC Act, 1872, the Sale of Goods Act, 1930. This rings true in other jurisdictions as well.

Keeping in consideration the requirement of documentary evidences it is likewise problematic to usage of the CP Act, 1986 to decide E-Shopping grievances, because in e-Shopping accessibility of documentary evidences is circumscribed. Moreover, since there are no geographical restrictions for internet, instituting internet jurisdiction is so far one more problematic job. Prosecuting a trader overseas is time consuming, challenging, costly and it cannot be known from website where the vendor is founded. Besides, it is difficult task to know which law of the nation is applicable to an agreement, the law of the nation where the products were transported or the law of the nation where products were purchased.
Action under law will take in to initiate court proceedings against vendor in his country thus can cause inconvenience to shopper to a large level.

Non-Bargainable nature and privacy invasion of E-Shopping agreements are others areas of shopper disappointment. Further, shoppers cannot take recourse to traditional systems of complaint redressal mechanism as a vendor is frequently unidentified with no physical site or address.

The 2008 Amendment in IT Act, 2000 reveals the mounting significance of an Internet in the life of any Indian. The foremost concerns which are observed, into comprise privacy, slashing, authority regulating and sentences for transgressors. Nevertheless, the IT Act, does not emphasize on the protection of shoppers and is of restricted significance of shoppers shopping over Internet.

V. The Consumer Protection Bill, 2015: Is it Copious to Shield the Online Shopper?

Government of India in the year 2014 took notice of the mounting illustrations of deceit, dishonest practices in e-commerce and commenced the progression of amending the Consumer Protection Act, 1986 to introduce provisions addressing the matter. But the Government refused to introduce fresh legislation and unquestionably agreed to amend the CP Act itself. This fresh Bill is proposed to take in within its realm not only sellers vending goods

---


online but, online open market providers such as Jabong, Flipkart, Amazon etc.\textsuperscript{17}

\textit{Jurisdictional Apprehensions}

The court of law has jurisdiction over the parties intricate in the difference, and likewise regional jurisdiction over the issue. The fortitude of territorial jurisdiction turns into a complicated issue in mode of online shopping due to the pervasive nature of the high-tech universe in which it functions.

Under the CP Act, 1986, a shopper can commence a legal action counter to a vendor lone at the place anywhere the business was carried. “Nevertheless, to justify online shopping, the administration has projected an alteration whereby ‘territory fee’ legal action can be commenced counter to any electronic retailer or online provider. This has been projected by incorporation of explanation 2 to the definition of consumer provided under section 2(1) (d) of CP Act, which even contains purchasing over and done with e-means and teleshopping beneath its realm.”\textsuperscript{18}

\textit{Outline to Mediation}

The mediation methods have been presented in Consumer Protection Act, by integration of section 2(1) (a).\textsuperscript{19} The District, State


\textsuperscript{18} Explanation 2: For the purposes of this clause buying of goods, hiring/availing of services is inclusive of the transaction made through any mode, inclusive of but not limited to offline, online through electronic means, teleshopping, direct selling etc.

\textsuperscript{19} S. 2(1)(a) ‘mediation’ means the process by which a mediator appointed by the National Forum or a State Forum or a District Forum, as the case may be, mediates the dispute between the parties to the complaint/ appeal by the application of the provisions of
or National forum may appoint mediator to mediate the complaint or appeal between the parties as provided under Chapter IV of the Consumer Protection Act, predominantly over and done with:
- Facilitation of discussion between parties directly or by communicating with each other through the mediator,
- assisting parties in identifying issues, reducing misunderstanding, clarifying priorities, exploring areas of compromise, generating options in an attempt to solve the dispute and emphasizing that it is the parties' own responsibility for making decisions which affect them.

Exclusion to Electronic Intermediary

The CP Bill, 2015 introduces section 2(1) (r) to the Act which states that “an electronic intermediary shall not be said to have engaged in ‘unfair trade practice’ if it facilitates, and to the extent it facilitates, the manufacturer, trader, or other persons who uses such electronic intermediary for advertising, selling or providing of goods and services.” Thus, mere facilitation of trade online does not impose liability on as e-marketplace provider in case the trader indulges in unfair trade practices.

The CP Bill, 2015 is being confronted with number of criticisms on different features. It is argued that there is a need for separate laws as have been done in United Kingdom and other European countries. There is a prerequisite of newer legislation as the agreement over internet are totally diverse from general agreements as the above Bill probably is going to make redressal of

Chapter IV of the Act, and in particular, by facilitating discussion between parties directly or by communicating with each other through the mediator, by assisting parties in identifying issues, reducing misunderstandings, clarifying priorities, exploring areas of compromise, generating options in an attempt to solve the dispute and emphasizing that it is the parties’ own responsibility for making decisions which affect them.


customer grievances additional intricate and troublesome. Furthermore, under the Bill, corresponding authorities approved to the upcoming specialist must have connection with judiciary which is an utmost unwelcome step.

This is because, this Bill, permits the national government to supervise over the functioning and matter obligatory commands over the National Forum, State Commission and District Forum which can lead to intrude the distinctiveness of these commissions. A quasi-judicial body that is District Forum may be controlled by the District Magistrate, who is part of the executive, could violate the principle of separation of powers between the judiciary and executive.

The grievances on legal question will be scrutinized by a judicial fellow supervising the National Forum along with other 15 judicial or technical fellows and this will go against the judgment of Supreme Court regarding the capability of technical members. The CP Bill, 2015 provides a machinery to resolve disputes through mediation process but, it is argued, that incorporation of such sections will probably disturb the very purpose of justice as it will enhance the time period in settling a dispute.\(^{21}\) Moreover, laws relating to appointment give rise to corruption thus parting the fragile party stranded. Due to establishment of authority the complications and guidelines will be enhanced as there are no flawless sections to shorten the manner of suits in courts of law. Additionally, this Bill must put emphasis on goods and services falling under commercial usage which is yet to be clarified.\(^{22}\)


VI. Efforts at International Level

E-Commerce being global and trans-border in nature, efforts have been made at the international level to ensure protection to the online consumer. International organizations like ICC (International Chamber of Commerce), OECD (Organization for Economic Co-operation and Development), and CPEN (International Consumer Protection and Enforcement Network) have proposed regulations in the field.

In the United States of America (USA), a range of laws both at the federal and state levels regulate consumer affairs. Among them are the Federal Fair Debt Collection Practices Act, the Fair Credit Reporting Act, and Truth in Lending Act, Fair Credit Billing Act, and the Gramm-Leach-Bliley Act. Federal consumer protection laws are mainly enforced by the Federal Trade Commission and the U.S. Department of Justice. USA being a developed country is quite advanced in remedying the online consumer problems. USA being a member of econsumer.gov has, to a great extent, succeeded in providing its e-consumers protection from a number of threats which are imminent on e-commerce.

To ensure a sound legal and regulatory framework for electronic commerce, in United Kingdom, e-consumers are both protected by the traditional laws and some exclusive online regulations. The traditional laws include the Consumer Protection Act, 1987, Sale of Goods Act, 1979, the Unfair Terms in Consumer Contract Regulations, 1999 and the Consumer Credit Act, 1974 etc. Online regulations are largely based on the European Union Directives which include the 2002 Electronic Commerce Regulations, the Consumer Protection (Distance Selling) Regulations 2000 and the Electronic Signatures Regulations 2002 and the Data Protection Act, 1998.

---

23 Supra note 4 at 166.
24 See www.legislation.gov.uk.
VII. Conclusion

E-commerce is sweeping the world today, and our country is experiencing an exponential growth in online shopping. The greatest benefit of e-commerce is the time saved, and the fact that the consumer is able to complete his transaction with a single click of the mouse. Product information is more extensive and price/product comparisons are also possible, enabling consumers to make informed choices.

However, the Government has already taken initiative in the form of the Consumer Protection Bill, 2015 which targets to transport India’s CP system more in compliance with technological advancements happening in the shopping world. These would underline shoppers credence in the fortification awarded and eradicate inconsistencies after one desires to commence action counter to derelictions by online providers.

The CP Bill, 2015 is confronted with number of criticisms on different features. Therefore, it is argued that there is a prerequisite of a new legislation as the agreement over internet are totally diverse from general agreements and the Bill probably is going to make redressal of customer grievances more intricate and troublesome. Furthermore, under the Bill the corresponding authorities approved to the upcoming specialist must have connection with judiciary and that not merely clues to greater hitches but is of utmost unwelcome step. This is because, this Bill, allows the national government to supervise over the functioning and matter obligatory commands over the National Commission, State Commission and District Forum which can lead to erosion of the distinctiveness of these commissions. A quasi-judicial body that is District Forum may be controlled by the District Magistrate, who is part of the executive, could violate the principle of separation of powers between the judiciary and executive.

Addressing these problems is consequently unavoidable, if it is desired to make the fresh law efficacious. Time is suitable for the
new Bill to convert into a new consumer protection law particularly premeditated for Digital India which will take into account all the matters discussed above into consideration.