

▶ **Module 4**  
**Unfair commercial practices  
and unfair contract terms**

FEBRUARY 2023

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Readers should also remember that EU and national legislation is being continuously updated: any paper version of the modules should be checked against possible updates on the website [www.consumerlawready.eu](http://www.consumerlawready.eu).

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**“Rules on unfair commercial practises and unfair contract terms allow for fair and healthy competition within the EU.”**

**Trader**

**“Rules on unfair commercial practises and unfair contract terms provide clear guidance on what practises are or are not acceptable.”**

**Trader**

## Introduction

Dear entrepreneur,

This Handbook is part of the Consumer Law Ready project addressed specifically to micro, small and medium-sized companies that interact with consumers.

The Consumer Law Ready project is a European-wide project managed by EUROCHAMBRES (the association of European Chambers of Commerce and Industry), in a consortium with BEUC (the European Consumer Organisation) and SMEunited (the Voice of SMEs in Europe). It is funded by the European Union with the support of the European Commission.

The objective of the project is to assist you in complying with the requirements of EU consumer law.

EU consumer law consists of different pieces of legislation adopted by the European Union over the last 25 years and transposed by each EU Member State in their respective national law. In 2017, the European Commission has concluded an evaluation to check whether the rules are still fit for purpose. The result was overall positive<sup>1</sup>. The main finding was that the existing rules need to be better enforced by authorities and better known by businesses and consumers. The Consumer Law Ready project aims to enhance the knowledge of traders, in particular of SMEs, regarding consumer rights and their corresponding legal duties.

The Handbook consists of five modules. Each one deals with one particular topic of EU consumer law:

- Module 1 deals with the rules on pre-contractual information requirements
- Module 2 presents the rules on the consumer's right to withdraw from distance and off-premises contracts
- Module 3 concentrates on the remedies which traders must provide when do not conform with the contract
- Module 4 focuses on unfair commercial practices and unfair contract terms
- Module 5 introduces alternative dispute resolution and the Online Dispute Resolution (ODR) platform, an official website managed by the European Commission dedicated to helping consumers and traders resolve their disputes out-of-court.

This Handbook is just one of the learning materials created within the Consumer Law Ready project. The website [consumerlawready.eu](http://consumerlawready.eu) contains other learning tools, such as videos, quizzes and an 'e-test' through which you can obtain a certificate. You can also connect with experts and other SMEs through a forum.

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<sup>1</sup> You can find more information about the evaluation, its findings and follow-up actions on the website of the European Commission: [http://ec.europa.eu/newsroom/just/item-detail.cfm?item\\_id=59332](http://ec.europa.eu/newsroom/just/item-detail.cfm?item_id=59332)

The Module 4 of this Handbook aims to make you familiar with the rules on unfair commercial practices and unfair contract terms. As regards commercial relations between businesses to consumers (B2C), the EU rules on fairness and transparency of commercial practices have been established by Directive 2005/29/EC on unfair commercial practices (“UCPD”). This is dealt with in the first part of the module. The second part of the module deals with Directive 1993/13/EEC on unfair contract terms (“UCTD”), which lays down the EU requirements to ensure that standard contract clauses used by traders are fair and understandable for consumers. [Directive \(EU\) 2019/2161](#) of 27 November 2019 on better enforcement and modernisation of Union consumer protection rules has introduced several amendments to the UCPD. It also amended the UCTD but only regarding the issue of penalties in case of infringements of the Directive. EU Member States must transpose the changes by 28 November 2021 and apply the new rules from 28 May 2022. To anticipate the legislative changes, this module already covers the main amendments to the UCPD and the UCTD that may have an impact on you. These new changes are presented in this module in separate boxes with the title “New rules from 28 May 2022”.

Moreover, Directive 2006/114/EC on misleading and comparative advertising which applies to business-to-business (B2B) situations, protects traders, especially SMEs, against misleading advertising of other traders and lays down the conditions under which comparative advertising is permitted.

For more in-depth information about the provisions of the UCPD and UCTD, in particular their application in the different EU countries, please consult the Guidance Documents of the European Commission<sup>2</sup>. The [Consumer Law Database](#)<sup>3</sup> and the [Your Europe Business Portal](#)<sup>4</sup> can help you find the relevant information or you can contact your local business organisation.

We hope that you find the information provided in the Handbook useful.

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<sup>2</sup> See guidance document on UCPD <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52016SC0163> and guidance on UCTD: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C\\_.2019.323.01.0004.01.ENG&toc=OJ:C:2019:323:TOC](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2019.323.01.0004.01.ENG&toc=OJ:C:2019:323:TOC)

<sup>3</sup> See [https://e-justice.europa.eu/content\\_consumer\\_law\\_database-591-en.do](https://e-justice.europa.eu/content_consumer_law_database-591-en.do)

<sup>4</sup> See <http://europa.eu/youreurope/business/>

# Section I – Unfair Commercial Practices



## What is a commercial practice?

Under the Directive on Unfair business-to-consumer Commercial Practices, a commercial practice is any act, omission, behaviour or representation, commercial communication (as advertising) by a trader which may affect the consumer's economic decision to buy or not to buy a product or to use or not to use a service.

What constitutes a commercial practice is a very broad notion. It is meant to cover the widest possible number of real-life situations and business behaviours that may affect consumers' choices. These rules apply to both online and offline commercial practices and to all types of goods and services. They are thus relevant for you, no matter whether you sell books in a shop or provide different types of services online.

## What is an unfair commercial practice?

A commercial practice is unfair, under EU law, when it prevents the consumer from taking a fully informed and free economic decision. Unfair commercial practices are prohibited across the EU.

## How can I enable my consumer to take a fully informed economic decision'?

All your commercial practices, such as advertisements, oral offers, product pages on your website, which may affect the consumer's decision to buy your products or adhere to your services must contain all the information consumers need to decide. The provided information must be true and accurate.

For example, if you offer a product claiming that it enables losing 10kg weight in 2 months, that product must have a proven capacity to make consumers lose 10kg in 2 months.

## How can I enable my consumer to take 'a free economic decision'?

In all your commercial practices, you must make sure that you do not exert any disproportionate pressure on the consumer, when you attempt to convince him/her to buy your products or adhere to your services.

The trader who offers for sale vacuum cleaners at consumers' doorsteps must never ignore a consumer's request to leave his home.


## Are the standards of fairness the same in all Member States?

All Member States must, under EU law, have the same standards of consumer protection against unfair commercial practices. Indeed, the rules in this area have been fully harmonised (with the only exception of those applicable to financial services and real estate property, for which Member States may impose more stringent requirements). This means that the rules are the same across the EU and that thus, if you comply with the rules in one Member State, you automatically comply with the rules in all other Member States. In practice, this means you can freely operate in the other Member States without being worried about compliance with national law.

## What about regulation of practices towards my competitors?

The commercial practices that may affect other businesses are outside the scope of Unfair Commercial Practices Directive. However, please note that some EU Member States have extended their national rules

transposing the Unfair Commercial Practices Directive to business-to-business situations or may have adopted specific rules on unfair business-to-business

practices.  These Member States are Austria, Belgium (partially), Czech Republic, France (partially), Germany, Italy (microenterprises only), Netherlands, Portugal (partially), Sweden<sup>5</sup>.

Moreover, at European level, the Directive 2006/114/EC on Misleading and Comparative Advertising <sup>6</sup> protects traders against misleading advertising by other traders and lays down the conditions under which comparative advertising is permitted (i.e. advertisements that involve a competitor or products offered by a competitor).

The misleading advertising is any advertising which, in any way, including in its presentation, is capable of deceiving the persons to whom it is addressed; of distorting their economic behaviour; or as a consequence, of harming the interests of competitors.

Moreover, the rules established by this Directive will apply when you advertise your product by comparing it with a similar product of a competitor. For instance, you need to make sure that the product you are comparing with the product of your competitor meets the same needs or that it is intended for the same purpose. For example, you can compare the electrical efficiency of your fridge only with the electrical efficiency of another producer's fridge, and not with the electrical efficiency of an oven. Moreover, the product you advertise can never present imitations or replicas of goods or services bearing a protected trademark or trade name of your competitor.

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<sup>5</sup> See Pages 363-368 of the Study for the Fitness Check Main report [http://ec.europa.eu/newsroom/document.cfm?doc\\_id=44840](http://ec.europa.eu/newsroom/document.cfm?doc_id=44840)

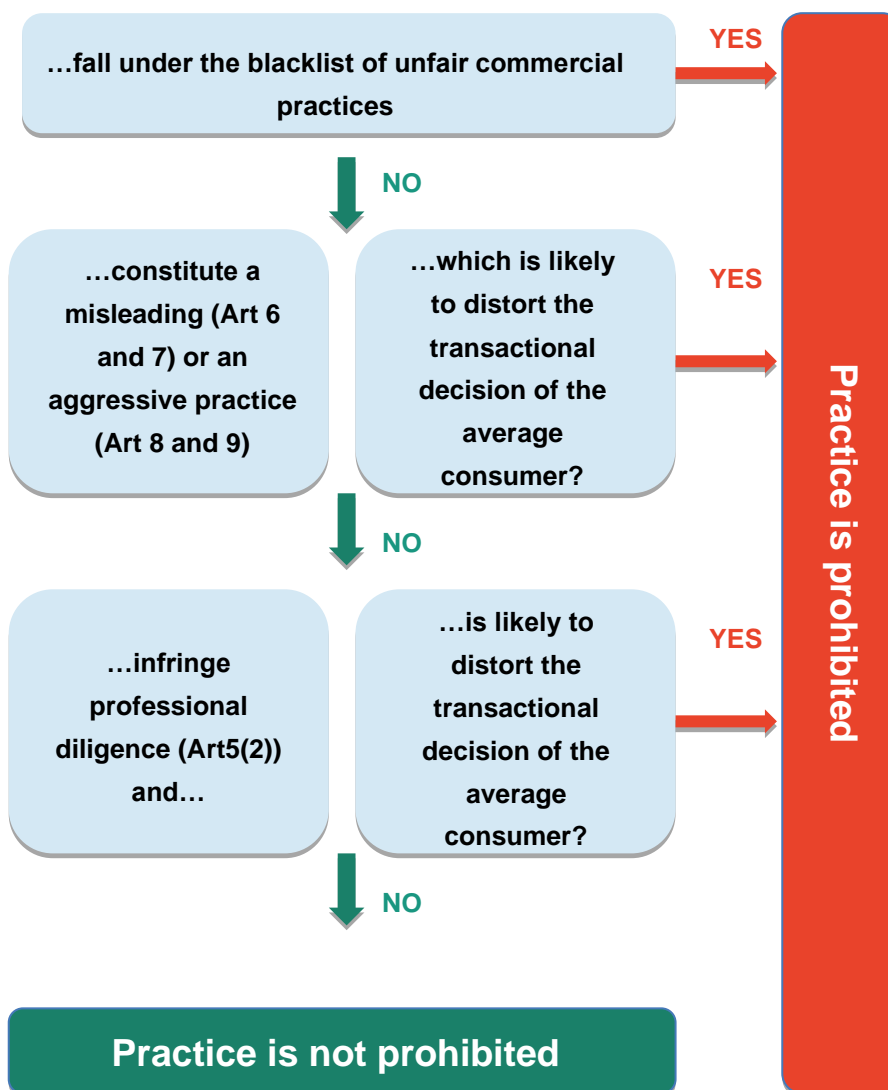
<sup>6</sup> See <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32006L0114>

## How to check whether a commercial practice is (un)fair?

### The functioning of the UCPD – Directive flowchart

This flowchart illustrates the relationship between the ‘blacklist’ of commercial practices in the Annex and the general clauses of the UCPD, namely Articles 6 to 9 and Article 5 respectively. In order to be considered unfair and therefore prohibited under the UCPD, it is sufficient that a commercial practice fulfils only one of these tests.

#### Does the commercial practice:



## What are the concrete forms of unfair commercial practices which are always prohibited?

The Directive defines 31 black-listed practices. They include both online and offline commercial conducts which may negatively impact a consumer's free and fully informed economic decision. The first 23 black-listed practices concern misleading behaviour of the trader and the last 8 are prohibited aggressive practices.

### Consumer Rights Act 2022.

The blacklist has been extended by 4 new prohibited practices (see point 32 below)

#### 1) Claiming to be a signatory to a code of conduct when you are not.

**Example:** a trader that sells fruits claims to be a member of an association of producers of organic fruits, when in reality s/he is not part of it. This provision protects the consumer from misleading statement related to the codes of conducts as forms of private regulation developed by the group of traders united in various associations such as the association of producers of organic fruits or the association of travel agencies.

#### 2) Displaying a trust mark, quality mark or equivalent without having obtained the necessary authorisation.

**Example:** the trader who uses EU or national eco-labels (e.g. EU ecolabel) without authorisation.

#### 3) Claiming that a code of conduct has an endorsement from a public or other body which it does not have.

**Example:** an association of supermarkets claims that their code of conduct was endorsed by a national consumer organisation, when it is not true.

#### 4) Claiming that a trader (including his commercial practices) or a product has been approved, endorsed, or authorised by a public or private body when s/he/it has not or making such a claim without complying with the terms of the approval, endorsement, or authorisation.

**Example:** put on the packaging of a toy the sentence 'products safety tested' by a renowned certification body although it was not.

#### 5) Making an invitation to purchase a product at a specified price without disclosing the existence of any reasonable grounds the trader may have for believing that s/he will not be able to offer sufficient supply or to procure another trader to supply the product or an equivalent product at that price for a period that is, and in quantities that are, reasonable having regard to the product, the scale of advertising of the product and the price offered ("bait advertising").

**Example:** a trader luring consumers with attractive special offers or discounts, when the trader knows or should know that s/he can either not offer these products at all or only an inadequate number thereof. Moreover, products are offered under special conditions without the trader making it clear that the

offer is valid for only a limited quantity of products or limited period of time.



## 6) Making an invitation to purchase products at a specified price and then:

- a) refusing to show the advertised item to consumers;  
*or*
- b) refusing to take orders for it or deliver it within a reasonable time;  
*or*
- c) demonstrating a defective sample of it, with the intention of promoting a different product (“bait and switch”).

**Example:** a shop-owner advertises a camera of a renowned German producer for the total price of 100 EUR. However, when the consumer goes to the shop to buy this camera, the trader:

- a) refuses to show that camera to the consumer;  
*or*
- b) refuses to sell it to the consumer,  
*or*
- c) shows only a defective sample of that camera.

Please note that all these three alternative actions have to be done by the trader to induce the consumer to buy another product, e.g. a camera other than the advertised one.



## 7) Falsely stating that a product will only be available for a very limited time, or that it will only be available on particular terms for a very limited time, in order to elicit an immediate decision and deprive consumers of sufficient opportunity or time to make an informed choice.

**Example:** an offer which states: *Buy the advertised mobile phone in the next 24 hours and you'll pay half the normal price! Don't delay! The offer expires today at midnight. This product will never be offered again. Buy now!*

In case such an offer would be valid also after the expiry of the mentioned period of time, this conduct would amount to a black-listed commercial practice.

Another example: an online advertisement for a hotel room saying “book now, last room available” whilst, in reality, several more rooms are still available.

## 8) Undertaking to provide after-sales service to consumers with whom the trader has communicated prior to a transaction in a language which is not an official language of the Member State where the trader is located and then

**making this service available only in another language without clearly disclosing this to the consumer before the consumer is committed to the transaction.**

*Example:* the trader claims that buying any of his computers includes free after-sales technical support for one year after their purchase. However, following the purchase, the consumer realises that all after-sales services are offered in English only and not in the language the consumer could have expected based on his prior communication with the trader, which is something the trader did not inform the consumer of.

**9) Stating or otherwise creating the impression that a product can legally be sold when it cannot.**

*Example:* the trader advertises that s/he is selling a protected species of a plant whose sale is prohibited under the law.

**10) Presenting rights given to consumers in law as a distinctive feature of the trader's offer.**

*Example:* the trader presents a legal guarantee (which is required by law – see Module on consumer sales) for a product, claiming that it is a particular, additional feature of a specific product that the trader offers for sale.

**11) Using editorial content in the media to promote a product where a trader has paid for the promotion without making that clear in the content or by images or sounds clearly identifiable by the consumer (“advertorial”).**

*Example:* the trader provides the scientific-like descriptions of the virtues of a new toothpaste by a doctor, without making clear that the trader has actually paid for the scientific-looking editorial.



**12) Making a materially inaccurate claim concerning the nature and extent of the risk to the personal security of the consumer or his family if the consumer does not purchase the product; unduly playing on fear of security risks.**

*Example:* the trader presents false or inaccurate statistics of burglaries or crimes in the area to attract consumer to buy an alarm system in order to protect their homes.

**13) Promoting a product similar to a product made by a particular manufacturer in such a manner as deliberately to mislead the consumer into believing that the product is made by that same manufacturer when it is not.**

*Example:* creating confusion over brand names through the usage of a similar presentation or labelling than the ones of other producers. For example, that would be the case when selling a bag that resembles

so much to the bag of another producer that the average consumer cannot easily distinguish between the branded and the other bag.



**14) Establishing, operating, or promoting a pyramid promotional scheme where a consumer gives consideration for the opportunity to receive compensation that is derived primarily from the introduction of other consumers into the scheme rather than from the sale or consumption of products.**

**Example:** a network marketing scheme that works like a pyramid: a person wishing to join as a seller a network selling beauty products must pay an entry fee and their main remuneration comes from recruiting other people into this same network.



**15) Claiming that the trader is about to cease trading or move premises when s/he is not.**

**Example:** the trader falsely claims that his shop is about to close down in order to attract consumers to buy his products (e.g. *End of lease – everything must go by this Friday; Closing down sales*).

**16) Claiming that products are able to facilitate winning in games of chance.**

**Example:** trader's offer which states: *Finally, you can win the lottery! Buy the new algorithm system that will help you win the lottery.*

**17) Falsely claiming that a product is able to cure illnesses, dysfunction, or malformations.**

**Example:** a trader states that a certain product can cure baldness, when in fact it cannot: *“How would you feel with a full head of hair? 10 years younger? MiracleGrow Hair Gel is a tried and tested product for hair rejuvenation<sup>7</sup>!”*.

**18) Passing on materially inaccurate information on market conditions or on the possibility of finding the product with the intention of inducing the consumer to acquire the product at conditions less favourable than normal market conditions.**

**Example:** the trader falsely presents himself as an exclusive seller so that s/he can charge a higher than market price for a certain product: *“This tennis racquet brand is used by a famous and successful tennis*

<sup>7</sup> Please note that the health-related claims in advertising could also be covered by other sector-specific EU and national health and pharmaceutical legislation.

player! You can buy it too – only on our website. Buy it now, as long as the supply is available!” whereas in reality, the brand is available on multiple websites from different retailers and at a much lower price.

### **19) Claiming in a commercial practice to offer a competition or prize promotion without awarding the prizes described or a reasonable equivalent.**

**Example:** the trader advertises that the consumer who buys a specific tub of ice cream will automatically participate in a lottery that offers numerous prizes. However, in reality, no prize is offered to anyone; it is a misleading statement to encourage people to buy the tub of ice cream.

This provision applies whenever competitions or prize promotions are used as commercial tactics to attract consumers into buying a particular product, although eventually no prize at all – or no prize comparable to the one described - is eventually awarded to any consumer.

### **20) Describing a product as free if the consumer has to pay anything other than the cost of responding to the commercial practice and collecting or paying for delivery of the item.**

**Example:** The bookseller advertises that the books are given for free when actually the consumer needs to pay for the books and only every third book is given for free.

### **21) Including in marketing material an invoice seeking payment which gives the consumer the impression that s/he has**

### **already ordered the marketed product when s/he has not.**

**Example:** the trader sends a brochure about a newly published encyclopaedia to the consumer together with an invoice to be paid, in a way which makes the consumer believe that s/he has ordered the book and is now supposed to pay for it.

### **22) Falsely claiming or creating the impression that the trader is not acting for purposes relating to his trade or falsely representing oneself as a consumer.**

**Example:** the trader presents himself as a consumer when drafting positive online reviews about a certain hotel, when actually s/he is the hotel owner.

### **23) Creating the false impression that after-sales service in relation to a product is available in a Member State other than the one in which the product is sold.**

**Example:** the trader is selling a computer to the consumer in France, saying that telephone support for any questions related to the product is available free of charge in all other Member States of the European Union when in fact telephone support exists only in France and in French.

### **24) Creating the impression that the consumer cannot leave the premises until a contract is formed.**

**Example:** It is sufficient that the trader gives the consumer the impression that s/he cannot leave the premises; it is not required that s/he physically locks in the consumer.



**25) Conducting personal visits to the consumer's home ignoring the consumer's request to leave or not to return except in circumstances and to the extent justified, under national law, to enforce a contractual obligation.**

**Example:** a trader who sells cutlery at the doorstep and who insistently tries to persuade the consumer to buy cutlery, although the consumer has made it clear s/he does not wish to buy any product from the trader. Such persistent commercial behaviour may press consumers into buying the offered product as a way to get rid of the trader.



It will not be considered that this form of unfair commercial practice is taking place in a situation in which the trader continuously returns to the consumer's home despite his request not to do so when it is about seeking payment from the consumer for something that the consumer has actually ordered and not yet paid.

**26) Making persistent and unwanted solicitations by telephone, fax, e-mail, or other remote media except in circumstances and to the extent justified under national law to enforce a contractual obligation.**

**Example:** the trader sends an exaggerated number of emails or text messages to the consumer regarding a particular product although the consumer clearly requested that this practice stops. Of course, this does not prevent a trader from making persistent solicitations to seek payment from the consumer for something s/he has ordered and not yet paid.



In some Member States, 'cold calls' are prohibited, in line with the e-Privacy Directive<sup>8</sup>. Several Member States, for instance, Germany, require that consumer opts in to allow traders to make unsolicited calls. This is also the case in Denmark, where contacting the consumer by phone, email, SMS, at his doorstep or at work without the consumer's permission is strictly limited and possible only if they have given their permission previously (with few exceptions regarding phone sales). For the few situations where it is allowed, it is possible to be added to a special list to avoid unsolicited telephone contacts like in Italy and Belgium.

**27) Requiring a consumer who wishes to claim on an insurance policy to produce documents which could not reasonably be considered relevant as to whether the claim was valid or failing systematically to respond to pertinent correspondence, in**

<sup>8</sup> Directive 2002/58/EC on privacy and electronic communications.

**order to dissuade a consumer from exercising her/his contractual rights.**

**Example:** the insurer requires that the consumer, who wishes to claim compensation for the theft or loss of personal items from luggage, presents receipts for all items to which the claim is related. Requiring the receipts for all items would not be reasonably considered as relevant. This provision secures that the consumer can easily and efficiently enforce her/his insurance policy.

**28) Including in an advertisement a direct exhortation to children to buy advertised products or persuade their parents or other adults to buy advertised products for them.**

**Example:** "This video is now on the market – be the first one to have it among your friends, so tell immediately your mum to get it for you as soon as possible! Hey kids! Get your parents to buy the Batman Trilogy DVD! Read about the adventures of Fluffy the Bunny in this new comic book – ask your mum to buy it for you."

This rule aims to protect children (and their parents) to be targeted by direct advertisements. A necessary element for the unfairness of this practice is the "direct exhortation" aspect, which means that the advertisement must aim to put pressure on the children or their parents.

**29) Demanding immediate or deferred payment for or the return or safekeeping of products supplied by the trader, but not solicited by the consumer (inertia selling).**

**Example:** a trader provides a consumer with goods or

services which have not been ordered beforehand (e.g. the trader sends a book to the consumer, without the consumer having asked for it, and then asks for the relevant payment).

Please note that according to the Consumer Rights Directive, consumers are not obliged to pay for any unsolicited supply of goods or services. Consumers are also not obliged to contest or to send the unsolicited good back.

**30) Explicitly informing a consumer that if s/he does not buy the product or service, the trader's job or livelihood will be in jeopardy.**

**Example:** the trader who comes to the consumer's home selling a vacuum cleaner would claim that s/he will lose her/his job if the consumer does not buy the vacuum cleaner. For the application of this provision, it is irrelevant whether this is true or not.

**31) Creating the false impression that the consumer has already won, will win, or will on doing a particular act win, a prize or other equivalent benefit, when in fact either there is no prize or other equivalent benefit, or taking any action in relation to claiming the prize or other equivalent benefit is subject to the consumer paying money or incurring a cost.**

**Example:** the trader informs the consumer that s/he has won a car as a prize when in fact there was no such prize, or when in order to obtain a prize, the consumer needs to buy another product or make a payment such as calling a premium rate hotline.

## 32) Consumer Rights Act 2022

1. Providing search results in response to a consumer's online search query without clearly disclosing any paid advertisement or payment specifically for achieving a higher ranking of products within the search results.

**Example:** A consumer searches for the cheapest flight from Brussels to Rome on an online booking platform. In the search results in response to the query, some offers appear on top of the list because the airlines paid a higher commission to the platform to be top-ranked and the fact that the search results are influenced by payments is not clearly and prominently disclosed to the users.

2. Reselling events tickets to consumers if the trader acquired them by using automated means to circumvent any limit imposed on the number of tickets that a person can buy or any other rules applicable to the purchase of tickets.

**Example:** A trader resells at a higher price 200 football game tickets that it acquired by using a software application ("bot") that enabled circumventing the limit of maximum 4 tickets per buyer imposed by the game organiser.

3. Stating that reviews of a product are submitted by consumers who have actually used or purchased the product without taking reasonable and proportionate steps to check that they originate from such consumers.

**Example:** An online marketplace collects and gives access to "consumer reviews" without restricting the possibility of posting reviews only to registered consumers who have actually bought the product concerned and without taking other reasonable steps to ensure their authenticity, in particular:

- Setting clear rules for reviewers prohibiting fake and non-disclosed sponsored reviews and responding to complaints;

- Using available technical means to verify the authenticity of the reviewer/ user accounts [e.g. IP address check, verification by email] and to detect fraudulent activity

4. Submitting or commissioning another legal or natural person to submit false consumer reviews or endorsements, or misrepresenting consumer reviews or social endorsements, in order to promote products.

**Example:** An online seller of skin care products engages consumers via social networks to post positive 5-star reviews of its products on online marketplaces in exchange for full reimbursement of the price paid.

## What are misleading actions?

The prohibition of misleading actions secures that every commercial practice contains only information which are true and accurate, and that the information is not provided in a misleading context to the consumer. The fairness of the commercial practice is always to be assessed by analysing whether it would be misleading for an average consumer.

For example, the following cases would qualify as misleading actions based on false information:

1. Food products advertised as containing no additives, when they actually do;
2. A hotel room advertised as having a direct view on the sea, when it does not;
3. A car advertised to produce less CO2 emission than it does in reality;
4. Incentivising the consumer to buy a commercial guarantee together with a new fridge, stating that otherwise the consumer would have no available

remedy in case the fridge does not work, although by law the seller is liable for the conformity of the product under the EU rules on the legal guarantee<sup>9</sup>.

The following cases would qualify as misleading actions based on true information which is however provided in a misleading manner:


1. Offering a small portion of chocolate in a significantly bigger package that gives the impression that the package contains substantively more chocolate than it contains in reality.
2. Offering dry cleaning services in a way that makes the consumer believe that professional ironing of the clothes is included in the price, when this is not the case.

The misleading actions test should be based on the information related to the following elements of a commercial practice:

1. The existence or the nature of the product; (e.g. used product being sold as a new one);
2. The main characteristics of the product or service; geographical or commercial origin or the results to be expected from its use; (e.g. composition: sugar-free, preservative-free, nutritional allegations; availability of complaint handling procedures; methods of production: free of hormones, bio-products; quantity of the product advertised: 1 l bottle, while the bottle only contains 90 cl; technical specifications: fuel consumption, energy consumption);
3. The extent of the trader's commitments, the motives for the commercial practice and the nature of the sales process, any statement or symbol in relation to direct or indirect sponsorship or approval

of the trader or the product (e.g. the purchase of the product will financially support a humanitarian organisation, when this is not true);

4. The price or the manner in which the price is calculated or the existence of a specific price advantage (e.g. presentation of a fake price, for instance, a train ticket for 59 EUR, when the price in reality is 109 EUR);
5. The need for a service, part, replacement, or repair (e.g. falsely claiming that spare parts for the sold model of the car will be available for the next ten years);
6. The nature, attributes and rights of the trader or her/his agent, such as her/his identity and assets, qualifications, status, approval, affiliation or connection and ownership of industrial, commercial, or intellectual property rights or awards and distinctions (e.g. false claim that the trader has been awarded with the best tailor prize);
7. The consumer's rights, including the right to replacement or reimbursement or the risks s/he may face (e.g. any of the consumer rights secured by different pieces of legislation such as the legal guarantee)<sup>10</sup>.

**Consumer Rights Act 2022 on misleading marketing of goods as being identical to goods sold in other Member States despite their differences (so-called 'dual quality')** 

Goods sold in identical or similar packaging sometimes have a different composition or characteristics compared to the same goods in other EU Member States (so-called "Dual quality"). This may mislead consumers into believing that they are buying the same product when they are not. Whilst such misleading practice already falls under the UCPD, the

<sup>9</sup> See the Module 3 on consumer rights and guarantees

<sup>10</sup> See Module 2 on the right of withdrawal

amendments under Directive (EU) 2019/2161 have added to the UCP a specific provision on this issue to facilitate enforcement. It expressly prohibits marketing a good, in one Member State, as being identical to a good marketed in other Member States, **while that good has a significantly different composition or characteristics, unless justified by legitimate and objective factors** (e. g. the use of local or seasonal ingredients, voluntary commitment by the trader to promote healthier food, or national rules on the composition of products).

Subject to case-by-case assessment by the competent enforcement authority, this UCPD provision could apply, for example to the marketing as being identical of:

- Soft drinks with different juice content
- Mayonnaise with different egg content
- Fresh cheese with different fat percentage.

## What are misleading omissions?

Misleading omissions are forms of unfair commercial practices whereby the trader fails to give 'material' information to the consumer, i.e. information that the average consumer needs to make an informed economic decision. All relevant information needs to be presented to the consumer while advertising the product and before selling it.

Example of a misleading omission: *Fly to Paris for 99 EUR*, but the advertisement does not say that there are additional charges, such as a significant airport surcharge, so that the total price ends up being over 150 EUR. Similarly, a misleading omission would be advertising a high-speed Internet connection for 29 EUR per month, whilst omitting to inform that, to benefit

from such an offer, the consumer must subscribe to a 3-year contract.

A commercial practice will also be classified as a misleading omission if the trader provides the consumer with all material information, but does so in an unclear, unintelligible, ambiguous, or untimely manner. Therefore, improper presentation of information from which the consumer cannot benefit, such as using hardly legible letter fonts, is equal to the situation where information is not provided at all<sup>11</sup>.

Please note that the information requirements are stricter if the trader's commercial communication represents a so-called "**invitation to purchase**", a narrower concept than the advertising. With an 'invitation to purchase', the trader provides information about the characteristics of the advertised product and its price in a way that enables the consumer to make a purchasing decision.

Whenever you make a commercial communication which amounts to an 'invitation to purchase', you must provide the following material information, unless it is already apparent from the context:

1. The main characteristics of the product or service;
2. Your geographical address, identity and trading name, or the geographical address and identity of the economic operator on whose behalf you are acting;
3. The final price (i.e. inclusive of taxes and all additional charges, transport, delivery, postage); where the price cannot be calculated in advance (due to the nature of the product or service) you need to explain the manner in which the price is

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<sup>11</sup> For more information on how to provide information in a clear manner, please refer to the Module 1 on pre-contractual information duty.

calculated; when the additional charges cannot be calculated in advance, you need to indicate the fact that such charges will or may have to be paid;

4. The arrangements for payment, delivery, performance, and complaint handling policy, if they depart from the requirements of professional diligence and
5. The right of withdrawal, if applicable<sup>12</sup>.

presentation of reviews is influenced by sponsored reviews or by contractual relations between the trader publishing them (in particular, a platform) and the reviewed traders hosted on the platform.

- If you offer consumers the possibility to search for products offered by different traders or consumers via keywords or other entries, you should clearly inform consumers of the main parameters determining the ranking of the results displayed and the relative importance of those parameters.

## Consumer Rights Act 2022

- The 'complaint handling policy' has been removed from information requirements in case of the invitation to purchase (see point 4. above). However, the information about complaint handling remains mandatory in the pre-contractual context under Directive 2011/83/EU<sup>13</sup>.

- On the other hand, online marketplaces offering products to consumers in the context of an invitation to purchase will have to inform the consumer whether the third party offering the product is a trader or not. This information will be based on the declaration of that third party to the online marketplace.

More generally, the traders concerned will have to provide the following information that is regarded as material:

- If you provide access to consumer reviews of products, information about whether and how you ensure that the published reviews originate from consumers who have actually used or purchased the product.

This information should cover both the specific measures to ensure authenticity (see above regarding prohibited practices) and also explain more generally the processing of reviews in order to ensure that they are genuine. This includes an explanation of how the

## What are aggressive practices?

Aggressive practices are the forms of unfair commercial practices where the trader impairs the consumer's freedom of choice or conduct in an illegitimate manner.

In practice, the occurrence of aggressive practice is the consequence of some of the following forms of trader's behaviour: harassment (e.g. irritant, constant phone calls), coercion (threatening the consumer to buy a product), including the use of physical force, or undue influence (i.e. exploiting a position of power in which the consumer is not free to decide).

Examples would be:

1. If a trader makes it practically very difficult for the consumer to terminate a long-term service contract or to switch to another operator, by trapping them into automatic contract renewals.
2. If a courier asks a consumer to sign a contract in their presence at the door, without sending them a copy of the contract terms beforehand, and while putting pressure on the consumer to impair her/his freedom of choice and confuse her/his thinking<sup>14</sup>.

<sup>12</sup> See Module 2 on the right of withdrawal

<sup>13</sup> See Module 1 on pre-contractual information

<sup>14</sup> Inspired by the scenario in case C-628/17 Orange Polska.

### Consumer Rights Act 2022 for “door-step-selling” and commercial excursions.


As mentioned above, the UCPD already prohibits aggressive and misleading practices also in the context of doorstep selling. As of 28 May 2022, Member States may further strengthen the rules to better protect consumers from aggressive and misleading practices during unsolicited visits to the consumer’s home and during commercial excursions<sup>15</sup>. The additional rules shall be justified, proportionate and non-discriminatory.

Vulnerable consumers have special needs when it comes to the protection from unfair commercial practices. It is therefore important that you pay more attention to the commercial practice you use when targeting vulnerable consumers.

In order to avoid the engagement into a misleading omission, you can adapt the methods through which you provide the information to the particularities of the vulnerable consumers. For example, if you sell products to elderly persons, you can increase the font size of the information provided. The information provided has to be clear, comprehensible, and accessible.

Similarly, in the case of a visually impaired consumer, the information should be provided using appropriate media and symbols. There are experts that can help you find out what the appropriate media and symbols are. You can find their contacts online.

### What happens if you do not comply with the fairness obligation?

UCPD requires Member States to provide for effective means and procedures to stop infringements of the rules on unfair commercial practices and to provide for penalties in case of infringements. Those must be proportionate, effective, and deterrent. 

Whilst the penalty regimes vary between the Member States, most commonly they are pecuniary fines up to specific maximum amount or percentage of the infringing trader’s turnover.

For more in-depth information on the rules on business-to-consumer unfair commercial practices and how they are interpreted by the European Court of

## The standards of the average and the vulnerable consumer

The assessment of the fairness of a commercial practice under the general fairness clause or under the rules on misleading practices, misleading omissions and aggressive practices is to be performed against the standard of expected behaviour of the average consumer. In case a trader would be targeting vulnerable consumers, the standard of the expected behaviour of the vulnerable consumer is relevant.

EU legislation considers that there are two different types of consumers: the *average consumer* and the *vulnerable consumer*. Depending on the consumer you are dealing with, you need to adjust the manner in which you deal with the consumer.

EU legislation defines a *vulnerable consumer* as the consumer who is vulnerable because of her/his age, mental or physical infirmity, age, or credulity, such as children, elderly people, or persons with disabilities.

<sup>15</sup> E.g. rules on right of withdrawal. For more information, please consult Module 2 on right of withdrawal.

Justice, national courts and national authorities, you may consult the [Guidance published by the European Commission](#)<sup>16</sup>:

The guidance contains a chapter that specifically explains how the rules apply to new business models that have been emerging in the online sector, such as platforms, collaborative economy, comparison tools, user reviews etc.

## Consumer Rights Act 2022

### **1. Introduction of a minimum standard of remedies for EU Consumers in case of breach of the UCPD**

The current UCPD does not require Member States to provide individual remedies for consumers in case they become victims of and unfair commercial practices. Consumers can use the remedies available under national law which vary from country to country.


The updated UCPD will introduce an explicit obligation for Member States to provide for proportional and effective individual remedies for victims of unfair commercial practices. Those must include, depending on the circumstances of the case:

- termination of the contract,
- price reduction or,
- compensation for damages.

Member States retain the possibility to offer also other remedies to the victims of unfair commercial practices.

### **2. More effective penalties for cross-border infringements**

The updated UCPD will better equip national consumer protection authorities to deal with infringements affecting many consumers across the EU. Currently, when a trader breaches consumer protection rules, penalties vary considerably from country to country. The new rules will provide national authorities the power to impose dissuasive sanctions in a coordinated way when working together on cross-border infringements that affect consumers in several EU Member States.

In such cases, national authorities will have the power to impose a fine of up to 4% of the trader's turnover, or up to €2 million, where turnover information is not available. Member States will be free to maintain or introduce higher maximum fines. 

Please also note that as of 25 June 2021, consumers will be able to enforce the rights defined by the UCPD also in collective proceedings in line with the new rules laid down by the [Directive \(EU\) 2020/1828](#)<sup>17</sup> on Representative actions for the protection of the collective interests of consumers ('RAD').

<sup>16</sup> Commission Staff Working Document Guidance on the implementation / Application of Directive 2005/29/EC on Unfair Commercial Practices - SWD/2016/0163 Final of 25/05/2016 (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52016SC0163>).

<sup>17</sup> Directive (EU) 2020/1828 of the European Parliament and of the Council of 25 November 2020 on representative actions for the protection of the collective interests of consumers and repealing Directive 2009/22/EC



# Section II – Unfair Contract terms

## What is a consumer contract and a contract term?

A consumer contract is any contract that a trader concludes with a consumer, irrespectively of whether it has as its object the supply of goods, services and/or digital content.

For instance, a contract concluded online with the consumer for the sale of books<sup>18</sup>.

Most contracts contain as their integral part standard Terms and Conditions (T&Cs), which set out standardised (non-negotiable) rules and procedures on which the consumer needs to agree. Often, they are complex and voluminous legal texts. Studies show that most consumers do not read them, especially when stipulated online. Even when formal acceptance of T&Cs is required online, such as ticking a box, most consumers take no notice of the content.

When you use T&Cs in your contract with consumers, you should, as a first step, clearly identify their purpose. Maybe T&Cs are not needed at all because the default legal situation under national or EU rules constitutes an adequate and sufficient framework for the contract performance.

In case of dispute, T&Cs are subject to a fairness control by the judge following the rules that are explained in the following sections.

## What are rules on fairness of contract terms and when do they apply?


EU Directive 93/13/EEC on unfair contract terms requires that the terms in consumer contracts need to fulfil certain standards, in particular, to be in line with the principle of good faith and not to cause a significant

imbalance in the rights and obligations between the contractual parties to the detriment of the consumer.

The Directive applies to all consumer contracts; however, it does not apply to all contract terms. Contract terms which reflect mandatory statutory or regulatory provisions, as well as provisions or principles of international conventions to which the EU Member States or the EU are party, such as those in the transport area, are not covered.

These EU rules only cover **standard** contract terms and conditions, i.e. contract terms which have been drafted in advance and the content of which the consumer has not influenced/negotiated individually. However, please note that some Member States have extended the application of the EU fairness requirements also to individually negotiated contract terms. These Member States are Austria, Belgium, Czech Republic, Denmark, Finland, France, Luxembourg, Malta. 

The EU fairness requirements do not apply to the contract terms related to the main subject matter of the consumer contract and to the adequacy of the price and remuneration stipulated therein, provided that these terms are in plain intelligible language.

Please be aware that some Member States have extended the application of these EU fairness requirements also business-to-business contracts. These Member States are Austria, Bulgaria (according to case law), Croatia, Czech Republic (only if the entrepreneur's act is unrelated to her/his business), Denmark, Estonia, France, Germany, Greece, Hungary, Luxembourg, The Netherlands, Poland, Portugal, Slovenia, Sweden<sup>19</sup>. 

<sup>18</sup> See Module 1 on Pre-contractual information requirements


<sup>19</sup> See pages 372-374 of the Study for the Fitness Check Main report [http://ec.europa.eu/newsroom/document.cfm?doc\\_id=44840](http://ec.europa.eu/newsroom/document.cfm?doc_id=44840)

## Are the rules on unfairness of contract terms the same in all of the Member States?

The rules on unfair contract terms at EU level only set a minimum standard of protection. Member States are free to adopt additional rules to provide for a higher – but never for a lower – level of consumer protection. Therefore, while the guiding principles are always the same, there may be, depending on the country where you offer your products, more specific rules on unfair contract terms in place. This concerns in particular national laws that establish so-called 'black' or 'grey' lists of contract terms that are always or generally considered to be unfair. You can find the information about which Member States have adopted such rules on the [website of the European Commission](#)<sup>20</sup>. If you want to check how the individual EU countries have transposed the Unfair Contract Terms Directive in their national legal order, you can also use the [European Commission's new Consumer Law Database](#)<sup>21</sup>.

## Need to respect the consumer law standard of another country

When you sell products or offer services to consumers outside your country, you need to respect the consumer law standard of the Member State in which the consumer lives. So you need to check compliance of your consumer contracts with all of the Member States separately if you operate your business activities in these countries. This is especially important when it comes to the list of unfair contract terms. If you include in your standard contract terms a choice of law

clause, specifying for example that the law of your country applies to the contract, you need to inform consumers from other Member States that you will still respect their rights ensured by mandatory rules of the country of their residence<sup>22</sup>. 

## What is the principle of good faith and the notion of significant balance?

The **principle of good faith** is linked to whether a contract term is compatible with fair and equitable market practices that take the consumer's legitimate interests into account. It requires that the contract terms should be such that the consumer would have agreed to it had he/she individually negotiated it.

The main element of the general fairness criterion is that an unfair contract term causes a **significant imbalance** in the parties' rights and obligations, to the detriment of the consumer. The notion of *significant imbalance* means that the trader is abusing her/his position of power vis-à-vis the consumer - the trader is typically in a stronger position than the consumer as it has more knowledge in relation to the products and services at stake.

In order to ascertain whether a term causes a 'significant imbalance' to the detriment of the consumer, it must, in particular, be considered which rules of national law would apply in the absence of an agreement by the parties in that regard. The aim is to check whether the contract places the consumer in a legal situation less favourable than that provided for by the national law in force. In the absence of national rules, a 'significant imbalance' can be identified in light of other points of reference, for example, a comparison of the rights and obligations of the parties under a specific term. In addition, one needs to consider the

<sup>20</sup> [https://ec.europa.eu/info/notifications-under-article-8a-directive-93-13-eeec\\_en](https://ec.europa.eu/info/notifications-under-article-8a-directive-93-13-eeec_en)

<sup>21</sup> [https://e-justice.europa.eu/content\\_unfair\\_contract\\_terms\\_directive\\_9313-627-en.do](https://e-justice.europa.eu/content_unfair_contract_terms_directive_9313-627-en.do)

<sup>22</sup> See Module 3 on consumer sales: the part on cross-border sale.

nature of the contract and other related contract terms that can lead together to a 'significant imbalance'.

An example would be a contract term authorising the trader to terminate the contract without reason, where the same possibility is not granted to the consumer. Another example would be a contract term allowing the trader to retain the sums paid by the consumer for goods/services not yet supplied, where it is the trader himself who terminates the contract.

For a contract term to be deemed unfair, the intention of a trader is irrelevant: it does not make a difference whether s/he intentionally wanted to stipulate an unfair contract term or whether this happened as a consequence of negligence or ignorance of the applicable rules.

## How should the contract terms be written?

The terms included in the consumer contracts must be written in plain and intelligible language, both in terms of form and content.

An example of a contract term which has not been written in a plain and intelligible language would be that of contract terms in a very small font size.

The European Court of Justice has consistently held that the requirement for contract terms to be "written in plain and intelligible manner" cannot be reduced to the fact that they have to be formally and grammatically intelligible. Indeed, this transparency requirement means that the consumer must be put in a position to fully understand the legal and economic consequences of agreeing to a specific term.


Be also aware that, if the meaning of a contract term is ambiguous, unclear, or imprecise, the interpretation of that term which is the most favourable to the consumer will always prevail.


For example, if you include in your contracts a term whereby the deadline for payment by the consumer is 15 days, but you do not clarify as from when this deadline runs, the moment of the actual delivery of your product to the consumer will be taken as the starting point, rather than the day of the conclusion of the contract. So, it is very important that your contract terms are very precise and are checked by a person with knowledge of consumer legislation.

## Are there any terms which are always unfair?

The answer to this question is: it depends. EU law itself does not lay down any lists of contract terms which are always to be considered as unfair, under any circumstances. However, some of the Member States have introduced in their national laws 'blacklists' of terms which under any circumstances are to be considered as unfair<sup>23</sup>.

The Member States that have extended the fairness control to individually negotiated terms are the following: Austria, Belgium, Czech Republic, Denmark, Finland, France, Luxembourg, Malta. Therefore, in order to be on the safe side, get familiar with what are the rules of your relevant national legislation and whether there are any contract terms which are always

to be considered as unfair. 

For example, some Member States have 'black-listed' the use of contract terms whereby the competent court in case of dispute can only be the one where the trader has her/his principal place of business. 

<sup>23</sup> See [http://ec.europa.eu/newsroom/just/item-detail.cfm?item\\_id=59332](http://ec.europa.eu/newsroom/just/item-detail.cfm?item_id=59332), Report on the fitness check of consumer and marketing law.

## What are the terms which are likely to be unfair?

The Directive 93/13/EEC on unfair contract terms lists a number of contract terms which are usually, but not automatically, considered to be unfair. Please note that this is an indicative and non-exhaustive list.

Their fairness still needs to be assessed on a case-by-case basis through the general fairness test. However, in practice, it is likely that these terms will be considered as unfair, so the best is to simply avoid using them.

The indicative list includes the following contract terms:

- a) excluding or limiting the legal liability of a seller or supplier in the event of the death of a consumer or personal injury resulting from an act or omission of that seller or supplier;

**Example:** A clause in a contract (e.g. gym, car rental) stipulating that the professional is in no way responsible for any damage or injury caused to consumers by the use of the facilities is not valid and will be deemed unfair).

- b) inappropriately excluding or limiting the legal rights of the consumer vis-à-vis the seller or supplier or another party in the event of total or partial non-performance or inadequate performance by the seller or supplier of any of the contractual obligations;

**Example:** a term that says that the consumer has no right to remedies (e.g. repair, replacement) if the oven s/he bought turns out to be defective and thus cannot be used.

- c) making an agreement binding on the consumer whereas provision of services by the seller or

supplier is subject to a condition whose realisation depends on her/his own will alone;

**Example:** a term whereby the trader reserves himself the right to perform the contract only if and when that trader wishes to do so.

- d) permitting the seller or supplier to retain sums paid by the consumer where the latter decides not to conclude or perform the contract, without providing for the consumer to receive compensation of an equivalent amount from the seller or supplier where the latter is the party cancelling the contract;

**Example:** a term which makes any substantial prepayment or deposit entirely non-refundable, while the trader reserves the right to unilaterally terminate the contract without reason.

- e) requiring any consumer who fails to fulfil her/his obligation to pay a disproportionately high sum in compensation;

**Example:** a term whereby the consumer is required to pay very high storage costs if he/she fails to take delivery as agreed.

- f) authorising the seller or supplier to terminate the contract on a discretionary basis where the same facility is not granted to the consumer, or permitting the seller or supplier to retain the sums paid for services not yet supplied by him where it is the seller or supplier himself who terminates the contract;

**Example:** a term whereby the consumer cannot cancel the contract in any circumstances, or can only do so with the trader's agreement, whereas the trader reserves the right to cancel the contract unilaterally. The logic behind this provision is that

consumers and traders should be on an equal footing as regards rights to end or withdraw from the contract.

- g) enabling the seller or supplier to terminate a contract of indeterminate duration without reasonable notice except where there are serious grounds for doing so;

**Example:** a term whereby the trader reserves himself the right to end a contract on the provision of access to Internet without notice, which would not allow the consumer enough time to find another provider before the contract expires. With the exception of serious circumstances entailing a real risk of loss or harm to the trader or others if the contract continues even for a short period (for instance, in case a fraud is detected), a unilateral right for the trader to terminate contracts of indeterminate duration will usually be qualified as unfair.

- h) automatically extending a contract of fixed duration where the consumer does not indicate otherwise, when the deadline fixed for the consumer to express this desire not to extend the contract is unreasonably early;

**Example:** a contract term indicating that the consumer can cancel the automatic extension of a contract expiring on 1 July 2019 by 1 February 2019. The term would add that the contract is automatically extended if the consumer fails to do so. In principle, it is allowed to have a contract term which automatically extends a contract of fixed duration. However, to pass the fairness test such a term must give the consumer a reasonable time to express her/his wish to extend the contract. Here it is not the case.

- i) irrevocably binding the consumer to terms with which s/he had no real opportunity of becoming acquainted before the conclusion of the contract;

**Example:** a term which refers to the terms in another document (which is not accessible to the consumer) and states that the consumer is irrevocably bound by these (other) terms.

- j) enabling the seller or supplier to alter the terms of the contract unilaterally without a valid reason which is specified in the contract;

**Example:** a term whereby a trader reserves himself the right to unilaterally change the costs of a daily newspaper's subscription without any valid reason that would be mentioned already in the contract itself.

- k) enabling the seller or supplier to alter unilaterally without a valid reason any characteristics of the product or service to be provided;

**Example:** a term whereby the trader reserves himself the right to provide the consumer with the Internet service with significantly lower speed than initially agreed without any valid reason.

- l) providing for the price of goods to be determined at the time of delivery or allowing a seller of goods or supplier of services to increase their price without in both cases giving the consumer the corresponding right to cancel the contract if the final price is too high in relation to the price agreed when the contract was concluded;

**Example:** a term which leaves it up to the trader alone to double the gym's monthly fee after the consumer has concluded an annual subscription contract, without granting the consumer the right to cancel the contract.

m) giving the seller or supplier the right to determine whether the goods or services supplied are in conformity with the contract or giving him the exclusive right to interpret any term of the contract;

**Example:** a term which allows a trader to decide by himself whether s/he is liable for the performance of a fridge s/he sold to the consumer.

n) limiting the seller's or supplier's obligation to respect commitments undertaken by her/his agents or making her/his commitments subject to compliance with a particular formality;

**Example:** a contract term stating that the seller will not be liable for any commercial guarantees sold by her/his agents.

o) obliging the consumer to fulfil all her/his obligations where the seller or supplier does not perform her/his;

**Example:** a term whereby consumers are required to continue paying even when the relevant goods or services are not provided as agreed.

p) giving the seller or supplier the possibility of transferring her/his rights and obligations under the contract, where this may serve to reduce the guarantees for the consumer, without the latter's agreement;

**Example:** a term whereby the trader reserves himself the right to transfer her/his business to a different trader, allowing the other trader to shorten the duration of the commercial guarantee given initially to the consumer for the acquired product (e.g. from 5 years to 3 years).

q) excluding or hindering the consumer's right to take legal action or exercise any other legal remedy, particularly by requiring the consumer to take disputes exclusively to arbitration not covered by legal provisions, unduly restricting the evidence available to him or imposing on him a burden of proof which, according to the applicable law, should lie with another party to the contract;



**Example:** a term whereby the consumer is obliged to have to resort to arbitration to solve a dispute (for instance: "In case of complaint, the consumer will first submit the case to the arbitration court designated in the contract, before s/he has the right to bring action before the court.").

Likewise, a compulsory mediation clause (for instance: "*In case of complaint, the consumer will first submit the case to the mediation system run by ABC*") could be considered as unfair. The use of mediation schemes must remain voluntary, and the consumer must have (as well as the trader) a free choice as to whether to go to mediation.

Moreover, the consumers should not be prevented from starting legal proceedings before their local courts. An example would be, if a consumer lives in Rome and a trader has the seat in Athens: "*For the settlement of disputes arising from this contract, only the courts of Athens are declared competent*". This is an unfair clause. Likewise, you may not stipulate contract terms which reverse the burden of the proof.

## What are the legal consequences of the unfairness of contract terms?

The contract term which is found to be unfair is not binding on the consumer – without the need for any action from the consumer - and will be declared null and void by a court. The consumer contract which contains an unfair contract term will continue to bind the parties if it can continue to exist without the terms which are deemed unfair. For instance, if the contract term which establishes the place of the competent court in case of dispute is declared unfair, this will typically not affect the validity of the contract as a whole, so the remaining contract will continue to exist without the unfair term.

If the consumer contract can no longer exist without the term which was found to be unfair, the legal consequences (e.g. that each party is obliged to return what they have received under the contract) are defined by the national laws of the Member States.  Other sanctions, such as pecuniary fines, for the breach of the rules on the fairness of contract terms, differ across the Member States. 

### Consumer Rights Act 2022

#### **More effective penalties for cross-border infringements**

The updated UCTD will better equip national consumer protection authorities to deal with infringements affecting many consumers across the EU. Currently, when a trader breaches consumer protection rules, penalties vary considerably from country to country and are often very low, even for very serious infringements. The new rules will provide national authorities with the power to impose effective, proportionate, and

dissuasive sanctions in a coordinated way when working together on cross-border infringements that affect consumers in several EU Member States.

In such cases, national authorities will have the power to impose a fine of up to 4% of the trader's turnover, or up to €2 million, where turnover information is not available. Member States are free to maintain or introduce higher maximum fines. (For Ireland see module 1, p 22)

Member States may limit those sanctions to situations where contract terms are expressly defined as unfair in all circumstances by national law or where the trader continues to use contract terms which have been found unfair by a final decision of the competent court or administrative body.

For more information, please consult the relevant national transposition legislation of Directive (EU) 2019/2161<sup>24</sup>.

Please also note that as of 25 June 2021, consumers will be able to enforce the rights defined by the UCTD also in collective proceedings in line with the new rules laid down by the Directive (EU) 2020/1828 on Representative actions for the protection of the collective interests of consumers ('RAD')<sup>25</sup>

## What happens with cross-border sales?

Below you will find some information concerning specific rules applicable, if you proactively reach out to consumers living in another country.

<sup>24</sup> You can check in Eurlex: via the amending Directive 2019/2161 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019L2161&qid=1614949003293> or via the UCTD: <https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=celex:31993L0013>

<sup>25</sup> Directive (EU) 2020/1828 of the European Parliament and of the Council of 25 November 2020 on representative actions for the protection of the collective interests of consumers and repealing Directive 2009/22/EC



These provisions are relevant to take into account where national rules protecting consumers may be different, such as on unfair contract terms. For those issues that are fully harmonised, such as unfair commercial practices, these elements are of less importance.

Please note, however, that in case of cross-border disputes, specific provisions are applicable across all areas, please read carefully the paragraph below.

### **Specific treatment of sales that you direct to consumers residing in other Member States**

Under EU law<sup>26</sup>, if you direct your business activities to consumers in EU countries different from your own, it is usually the law of the country in which the consumer lives that applies to your contract with that consumer. If you have both chosen a different law, that choice cannot deprive your consumer of the protection granted by the mandatory provisions of the country of residence.

Therefore, if, for example, and as seen in Module 3, your website is directed at the consumers in a Member State where a free choice of remedies is available under Article 3 of the Consumer Sales and Guarantees Directive, you must, in case of a lack of conformity, enable your consumer to choose between a repair of the product, its replacement, a price reduction or a full refund, unless one or the other of such options is materially impossible or disproportionately difficult for you. More generally, whenever you advertise or offer your goods or services in other Member States, you must respect the standard of consumer law protection of the countries you target.

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<sup>26</sup> Notably the so called "Rome I" Regulation 593/2008.

## **Under which conditions can you be regarded as targeting consumers in another Member State?**

The Court of Justice of the European Union has laid down a number of non-exhaustive criteria for establishing whether your commercial or professional activities are 'directed' at a specific Member State. Such criteria entail, for example, the use of languages or currencies other than those generally used in the Member State of your company's place of establishment, the mention of telephone numbers with an international code, the use of a top-level domain name other than that of the Member State in which your company is established<sup>27</sup>.

If you are not directing your activities to other EU countries, however, and a consumer from another EU Member State approaches you on her/his own initiative, then your national law applies.

## **What does this mean for you in practice?**

### **What law will be applicable to your cross-border contracts?**

At first sight, it might appear complex for a small trader to comply with the law of the country of its different consumers, in different countries. It might prevent some traders to offer their goods or services across the border. However, in practice:

1. EU legislation provides, as we describe under the Consumer Law Ready modules, for an important amount of harmonised provisions of consumer protection. These rules apply all over the EU.

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<sup>27</sup> For more information, see joined cases C 585/08 and C 144/09 Peter Pammer and Hotel Alpenhof GesmbH the Court

2. Even if, on some elements, there are differences left between Member States, this does not mean that you are not allowed to have your contracts with consumers designed under your own legislation: as explained above, you can agree with the consumer that another law should be applicable, in which case you only have to respect the mandatory consumer law of the Member State where the consumer lives.
3. In practice, the mandatory consumer legislation of another Member State will only be relevant if its rules are more protective than those of your legal system or the law you have agreed upon with the consumer. This might be the case where, for the legal guarantee period of the consumer's law is longer than the one under your own law.
4. Through the Consumer Law Ready training modules, you will be able to know in advance which additional requirements may apply in which other Member State to which you're considering directing your business activities.
5. The question of the applicable law will often be relevant only if there is a disagreement with the consumer. Many misunderstandings can be solved amicably or by using your in-house complaint service.

## When you have a dispute in such a cross border contract, what court is competent?

If you offer your products or services to consumers in other EU countries and happen to have a dispute with one of your consumers, be aware that the competent court to decide over such a dispute will always be, under EU law, notably the so called "Brussels I" Regulation, that of the country in which the consumer lives. You cannot sue the consumer before a court of another country. If you stipulate such an option in your terms and conditions, you would risk a severe fine and the contract term will be non-binding on the consumer. The consumer, by contrast, has the option to sue you before the courts of her/his Member State or your home court as well. For cross border cases, in order to make it easier to solve disputes, the EU has set up an ODR platform that makes it possible to liaise between Alternative Dispute Resolution systems in different Member States<sup>28</sup>.

**Example:** if you are a French trader based in Lille (FR) selling your products to Belgian consumers in Belgium, you cannot establish in your terms and conditions that, in case of a dispute, the only competent courts to solve the case are the courts.

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<sup>28</sup> See Module 5

# Annexes

## Checklist for the trader

1. Do you use standard contract terms?
2. Are your contract term(s) indeed not on any list of potentially/always unfair contract terms?
3. Are the contract term(s) written in an easily legible and comprehensible manner?
4. Are the contract term(s) not causing significance imbalance between your rights and obligations and the consumer's rights and obligations to the disadvantage of the consumer?

The European Commission issued a [guidance](#) document<sup>29</sup> on the rules on unfair terms in consumer contracts based on the interpretation of the rules by the European Court of Justice, national courts and national authorities. It is available on the website of the European Commission.

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<sup>29</sup> Commission Notice - Guidance on the interpretation and application of Council Directive 93/13/EEC on unfair terms in consumer contracts C (2019) 5325 final of 22/7/2019.

# Consumer Law → READY

Consumer Law Ready Training for European SMEs

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