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EU considers consumer class action

By George Parker in Brussels

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The concept of US-style class actions could be imported to Europe under plans to strengthen consumer protection being considered in Brussels.

Meglana Kuneva, EU consumer affairs commissioner, will announce on March 13 that she is looking at a new system of “collective redress”, allowing European consumers to bring claims against providers of faulty goods or services.

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The move is the most striking proposal in a new European consumer strategy, in which Ms Kuneva wants to give shoppers the confidence to buy across borders and to make the EU’s single market work more effectively.

Ms Kuneva told the Financial Times: “Collective redress is important because it would be a more powerful sanction against one or another company.”

Although a handful of EU countries have a class action system for national claims, there is no legal basis for consumers across Europe to join forces across the 27-country single market.

Ms Kuneva, the new Bulgarian commissioner, argues that such a sanction would keep retailers and producers of goods and services on their toes and give people more confidence in shopping across borders.

She argues that the increase in e-commerce means that consumers are buying more from other EU countries and that they need an effective mechanism for getting their money back if things go wrong.

Although the US class action system is seen as an inspiration for any new EU legislation, Ms Kuneva’s aides say a European version would not replicate it, since US consumer laws are more highly developed.

Class actions have been criticised in the US as being a means by which enterprising law firms win big fees while often generating little return for the individuals concerned.

The US system allows individuals to aggregate claims into one law suit, giving consumers the incentive to pursue compensation – often for small sums – when it would be too costly or time-consuming to take action on their own.

Ms Kuneva is looking at whether national consumers’ bodies might work together to aggregate claims in the EU, although officials speculate other groups or lawyers might enter the market.

“If consumers are to have sufficient confidence in shopping outside their own member state and take advantage of the internal market, they need assurance that if things go wrong they have effective mechanisms to seek redress,” her paper says.

Ms Kuneva, in post for only two months, is determined to make her mark. She wants to rebrand EU consumer policy as an essential tool for increasing competitiveness, by giving people the information and rights they need to shop around in the single market.

“The internal market has the potential to be the largest retail market in the world but, today, it remains largely fragmented along national lines, forming 27 mini-markets instead,” she says.

Only 6 per cent of European consumers made at least one cross-border e-commerce purchase in 2006; only 1 per cent used cross-border financial services.

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