

Competition & Antitrust and Trade

Online Retailers to be Cautious Against Using Misleading Sales Tactics

Executive Summary

In recent years, online sales have taken the retail scene by storm and with a significant number of consumers having turned to shopping online during the COVID-19 pandemic.

In response to numerous complaints from consumers concerning errant online retailers alleged to have misled consumers into purchases, the Consumers Association of Singapore ("**CASE**") and the Competition & Consumer Commission of Singapore ("**CCCS**") have issued an advisory on commonly used online tactics and certain precautionary measures for consumers ("**Advisory**"), available [here](#). Whilst the Advisory mentions overseas online retailers, online retailers with a presence in Singapore are not beyond scrutiny by CASE and CCCS.

In this Update, we highlight some common tactics by online retailers/businesses that have been the subject of complaints and what online retailers should consider doing instead to avoid these issues. We do not cover the issue of refunds which dictates a separate discussion as some of the online retailers may not have a presence in Singapore, but please feel free to approach our team which contact details are set out at the end of this Update for a discussion.

Problematic Tactics by Online Retailers to be Avoided

Below, we highlight certain problematic tactics that may lead to complaints or legal action lodged against online retailers due to their misleading nature, as well as our comments:

- **False or misleading information on business location**

Errant online retailers may have advertisements that assert that the retailer's business has a physical presence in Singapore when that is not the case. This is false and misleading. Retailers that are registered companies in Singapore should, on their end, ensure that their advertised business location and details align with those used in their business registration with the Accounting and Corporate Regulatory Authority (ACRA).

- **False or misleading claims about products on sale**

Errant online retailers may include fallacious claims in their advertisements or websites relating to the product which are inconsistent with the product that is delivered. This is also problematic. Online

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retailers must ensure that their claims are accurate. These include, for instance, information advertised relating to the brand, quality, country of origin or accreditation/awards received.

- **Ostensibly large discounts**

Errant online retailers may make bogus claims of discounts for products. There have been instances where errant retailers advertise extremely low prices in the guise of "special" discounts brought about through clearance sales, for example for purportedly branded products, when the discounts are in fact are not genuine. Such practices must be avoided. Online retailers must ensure that advertisements are worded appropriately and that they do not mislead.

- **False contact information for consumer refunds and redress**

Errant online retailers may attempt to mislead consumers by providing fictitious contact information (e.g. hotlines or email addresses), to avoid consumers making refunds or seeking redress. Such practices are problematic. We recommend that online retailers clearly set out the terms and conditions of the sale, including the return/refund policy, in an appropriate location that is brought to the consumer's attention. For certain products especially those of higher value, online retailers may also consider providing the option of escrow payment arrangements, by a third party appointed by the online retailer.

Our Comments

The issuance of the Advisory highlights the attention that the authorities are paying to the practices of online retailers and retailer's sales tactics in general. This Advisory follows recent efforts such as the issuance of the Technical Reference 76 on Guidelines for Electronic Commerce Transactions in the middle of last year (see our earlier Client Update on this development [here](#)) and the finalisation of the CCCS's Guidelines on Price Transparency which took effect on 1 November 2020 (see our earlier Client Update on this development [here](#)).

Besides online retailers, businesses at large are reminded not to use any false or inaccurate descriptions regarding their websites or products. Making misstatements such as those relating to the physical presence or contact information of the retailer, can also lead to an unfair practice being found under the Consumer Protection (Fair Trading) Act, even if they do not directly relate to the quality or fitness of the products. Businesses must review their advertisements and websites carefully to avoid any allegations that it has engaged in unfair practices. Resellers must also independently verify descriptions provided by their suppliers as far as practicable.

If you have any queries on the right approach to manage and market your online business, please feel free to contact our team members below who will be happy to assist.

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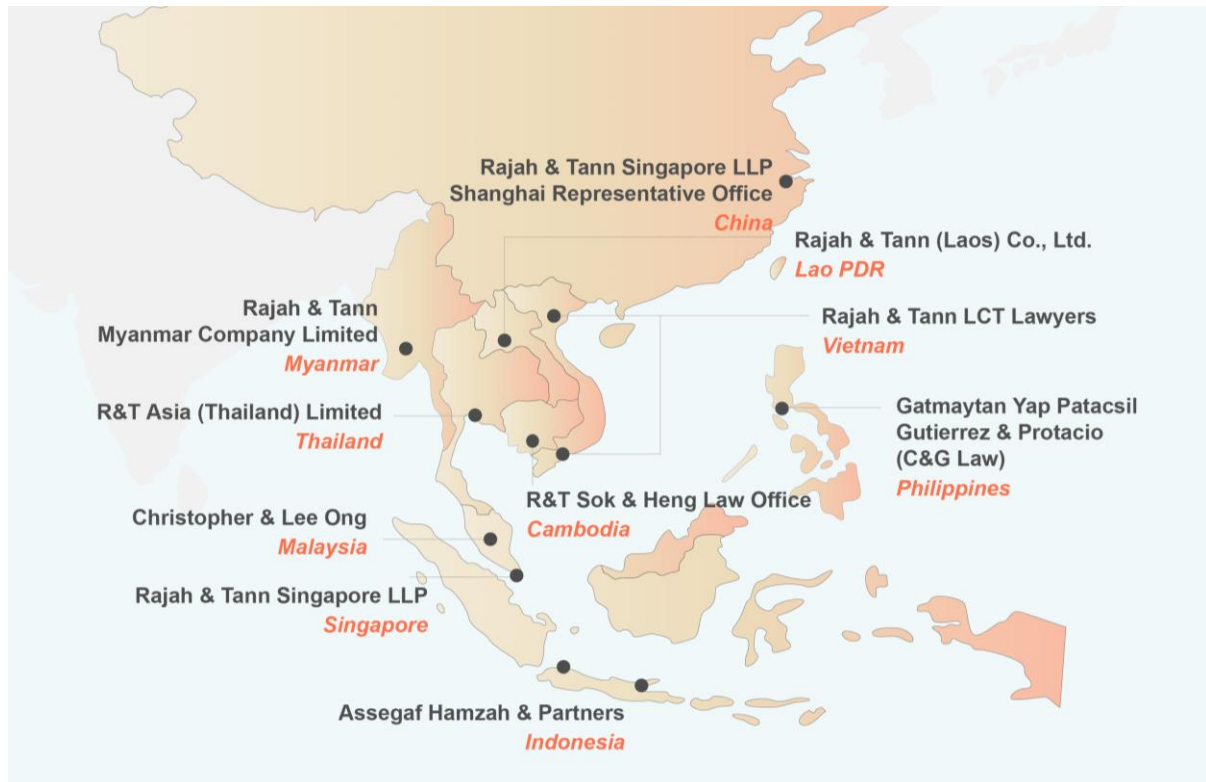
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