

State Consumer Helpline Knowledge Resource Management Portal
(SCHKRMP)
(A National Nodal Agency)

Ref. No. IIPA/SCHKRMP/e-commerce/2016

Dt. 04/05/2016

Sub: E-commerce and Financial frauds

Dear Shri *Sastri*,

The e-commerce business is growing at a much faster pace. According to the published reports, India is expected to have 100 million online shoppers and the industry may have \$15 billion size by 2016. With the increase in online shoppers, the fraudulent activities are also increasing. According to estimates from some of the prominent sites like Flip Kart, Payment gateway, PayU India it is stated that 4-5% of all e-commerce transactions in India are fraudulent. The number of dishonest vendors ranges from as low as 2% for online retailers to as high as 8% in the case of taxi aggregators and restaurants, as per industry estimates. In reality, the online fraudulent transactions look to be much higher than what industry estimates. Even 5% of the total annual e-commerce business of Rs. 66,000 crore a year, the industry contributes to Rs. 3,300 crores towards fraudulent business. With e-retailing spreading to Tier 2 and Tier 3 cities, the volume of such fraudulent business is bound to increase at a alarming rate unless and until some corrective steps are taken. The State Consumer Helplines from six States viz. Gujarat, Haryana, Maharashtra, Puducherry, Rajasthan and West Bengal have received 766 calls during 1st January 2016 till date i.e 3rd May 2016.

Some of the problems being reported by the shoppers while making online purchases are:

1. Most of the e-commerce sites do not have details like postal address, mob No., T.No., email Ids of their consumer grievance system on their "contact us" page. They are providing only a complaint registration form which needs to be filled up with the requisite details. Even many sites do not have a system of acknowledging the complaint. In absence of details about consumer grievance system, it becomes difficult to escalate the complaint.
2. Many sites are turning to be frauds. The payment is taken from the consumers and then the company vanish away untraceable or their mobiles switched off or using new numbers.
3. Many sites intentionally either do not deliver the product or deliver the defective material and keep on replacing the product. Many complaints have been seen on various public domains that the company stops responding to complainant after sending useless or defective items especially in garments and allied items. Many a times, the consumer gets tired for follow up and foregoes the money. The companies

either do not refund the money paid by consumer or take inordinate time in making the refund. Many complaints of such nature keep on being reported. Thus the companies are being retained with huge consumer's money for unethical gains.

4. The fraudulent activities are on the increase disproportionately and there is inadequate system to address such complaints.
5. Complaints also being reported that the online marketers cancels the order due to increase in price or non-availability of the product.
6. Products being received in damaged condition or "Dead on Arrival" or Defective condition or different than what was shown on the site and ordered by the consumer.
7. Products returned but inordinate delays in replacement.
8. Sometime the products are ordered on special occasions but marketing companies fails to deliver the product to suit the need of special occasions thus defeating the very purpose of ordering.
9. Unbelievable discounts or prices are being offered to attract rather lure the consumers to order and pay but later on disappearing after getting payments.

Even while going through the Public Grievance Portal of Govt. of India, it is seen that many such complaints are being reported. Some of the complaints as downloaded from PG Portal as well as other sources are attached to this letter.

In view of the foregoing, in order to discipline the industry and curtail the fraudulent business affecting the masses in general, Department of Consumer Affairs may consider stepping in with sensitization of other stakeholders like Department of Information and Technology, Ministry of Commerce. Economic Offence Wing, Cyber Crime Cell, Police Department, Reserve Bank of India etc. Some of the points that may be considered as recommendations are:

Recommendations:

- 1) The domain name being used for online shopping sites may be registered only after proper verification of KYC documents to avoid any fraudulent activities. The complete details of the Directors/ promoters could be provided on the websites.
- 2) It may be mandatory for all online shopping sites to provide proper 'Contact us' details including Postal address, Email, Mobile No, Telephone No. and Fax No. and such details may be verified before they are allowed to carry business operation or at the time of activation of the payment gateway.
- 3) The online marketers may be advised to provide the complete details of their bankers, branch, account number, IFSC code etc. on their website.
- 4) The online marketing companies may be mandated to stick to the delivery schedule as per registered order. The shopping site immediately on receipt of the order may confirm the shipping date. Any delay in shipment of material need to be suitably compensated with an option to the consumer for cancellation of order at the cost of online shopping site for not meeting delivery schedule. It should be the prime responsibility of the online shopping site to handle the queries like delivery, return, refund etc and under no circumstances he be diverted to the retailers registered with



the shopping site. It shall be the responsibility of the online marketers to ensure the reverse pick up of defective deliveries at their own cost and the replacement is provided within the maximum of original delivery period. Not more than one chance be given to e-commerce site for return/replacement of defective items and the consumer is to be refunded the payment immediately with interest @18% from the date of acceptance of the order and payment. The option to accept the replacement or cancel the order in case of defective deliveries would rest with the buyer.

- 5) Many a times, the retailers also offers material on "COD" or "POD" basis but delivery boys do not allow consumer to check the content of the package. Many complaints have been heard that the retailers are sending some junk material and after receiving the money the delivery boy become untraceable. An example is of a recent news appearing in ETV Up is attached. In our view the consumer should at least check the content physically before giving payment to delivery boys.
- 6) Any refund due to cancellation of orders need to be completed within 48 hrs. In case the marketing company is unable to supply the ordered items within the committed delivery period or cancels the orders on its own due to non-availability of material, the amount charged from the consumers may be refunded immediately along with interest @ 18% to be calculated from the date of payment transaction till date of credit back to the consumer.
- 7) The company should clearly spell out their refund, replacement and return policy on their website.
- 8) The investigating need to be sensitized for fraudulent activities and a proper online system may be placed to enable victims to report such matters without any difficulty.
- 9) Given the size of the industry and future business model on the similar pattern, a Regulatory Authority may be the need of the hour.

Regards

Yours sincerely,

Suresh Misra

(Suresh Misra)

Project Director

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Complaints- E-Commerce & Financial Frauds- Source : PG PORTAL

Sl. No.	Complainant Ref./Date	Name of Complainant	Complainant Against
1	DOCAF/E/2016/00221/ 13-Feb-2016	Shamad Mirkha Mahajan	ITBC Services
2	DOCAF/E/2016/00374/ 15-Mar-2016	Shamad Mirkha Mahajan	ITBC Services
3	DOCAF/E/2016/00401/ 19-Mar-2016	Shamad Mirkha Mahajan	ITBC Services
4	DOCAF/E/2016/00223/ 14-Feb-2016	Shamad Mirkha Mahajan	Wealth Club
5	DOCAF/E/2016/00224/ 14-Feb-2016	Shamad Mirkha Mahajan	Dealsbrunch online pvt. Ltd
6	DARPG/E/2016/04462	Abhishek Pradeep Deshpande	www.colorsofindiatours.com
7	DARPG/E/2016/04727	Sandeep Kumar Sharma	www.grabshoppingdeal.com
8	PMOPG/E/2016/0120947	Abhijit Rathi	www.netmeds.com
9	PMOPG/E/2016/0117533	Syed Zafrulla Malgimani	OLA Taxi
10	PMOPG/E/2016/0114177	Divya Sharma	Magic Holidays Panoramic Group
11	DARPG/E/2016/00266	Pranay Srivastava	Big Bazar
12	PMOPG/E/2016/0106002/02-Apr-2016	Shrikant Ananda Ghadge	www.gobuykart.com
13	PMOPG/E/2016/0103095/ 31-Mar-2016	Abhijit Biswas	www.dhamaal.com
14	DOCAF/E/2016/00357/ 11-Mar-2016	T Satyanarayana	www.smsdaak.in
15	DOCAF/E/2016/00416/ 24-Mar-2016	Kripasindhu Laha	www.askmebazaar.com
16	DOCAF/E/2016/00356/ 11-Mar-2016	Avinash Kumar	www.askmebazaar.com
17	DARPG/E/2016/00825/ 17-Jan-2016	Shailesh Bhure	www.paybackbazaar.com
18	PMOPG/E/2016/0088274/ 17-Mar-2016	Umesh Gulati	www.newyearoffer.in
19	PMOPG/E/2016/0102377/30-Mar-2016	Saurabh Dhiman	www.newyearoffer.in
20	DARPG/E/201603826/ 10-Mar-2016	Deepmala Chetan Goti	www.olx.in
21	PMOPG/E/2016/0081908/ 11-Mar-2016	Komal Purbey	www.indiaemporium.com
22	PMOPG/E/2016/0059718/ 23-Feb-2016	Sandeep Thakur	www.todayliveshoppings.com
23	DOCAF/E/2016/00371/15-Mar-2016	Steven Fernandes	www.freedom251.com
24	DOCAF/E/2016/00428/27-Mar-2016	Meenakshi Sundaram	www.amazon.in
25	PMOPG/E/2015/0113218/27-Sep-2015	Subhojeet Dey	www.ebay.in
26	DARPG/E/2015/16133/05-Dec-2015	Dvan Raju	www.ridemystdestination.com
27	DARPG/E/2016/02518/18-Feb-2016	Ankit Agarwal	www.aliexperss.com
28	DARPG/E/2016/010117/21-Jan-2016	Amit Gaglani	www.biba.in
29	PMOPG/E/2016/0102753/30-Mar-2016	Tusar	sandshoppinghub.com
30	PMOPG/E/2016/0088555/ 17-Mar-2016	Birendar Singh Bora	S-Ray Enterprises
31	ConsumerComplaints.in dev06/13-Oct-2015	Devendra Kumar Dewangan	ITBC/Bag IT Today
32	Grahak Seva/16-July-2012	Pushparaj K Shetty	India Today Book Club (ITBC)
33	PMOPG/E/2016/0023057/21-Jan-2016	Priya M Rosely	Qnet
34	PMOPG/E/2016/0032384/31-Jan-2016	Mohd Shoeb	Honda Mobilio Car Contest-2014
35	DOCAF/E/2016/00398/18-Mar-2016	Puneet Pal Singh Bhogal	Electricity Department

Complaints- E-Commerce & Financial Frauds- Source: SCHRMP

Sl. No.	Complainant Ref./Date	Name of Complainant	Complainant Against
1	Complaint/17-03-2016	S.K. Virmani	Telemarketer
2	ETV UP/Uttarakhand/29-04-2016	Rajeev	www.Snapdeal.com
3	Megatech 1020/05-07-2014	Himanshu	Life Cycle Telecom Service Pvt Ltd
4	ForexTrade/03-05-2016	Dalip Sharma	Forex Trade Investment
5	CGNDFRYUE/03-05-2016	Shalini Bisht	www.streeetstylestore.com
6	consumerComplaints.in	Shamad Mirkha Mahajan	Wealth Club
7	Dealsbruch/16-02-2016	Shamad Mirkha Mahajan	Dealsbruch online pvt ltd
8	Complaint /15.12.2015	Bhanu Kumar	www.askmebazaar.com
9	DelhiShikshaPrasarSamiti/22-03-2016	Website	www.delhishikshaprasarsamiti.org