

By Re\_Generation

# Human Wellbeing

## 2.5 Consumer Welfare

### Description

Whether it is through the sale of unsafe products, predatory practices related to customer acquisition, or the exploitation of customer information, there are many ways that businesses can infringe on consumer welfare. Consumer protection regimes have been installed in many jurisdictions, but they are not always effective. A particularly egregious example of the violation of consumer welfare occurred in the US mortgage sector before the 2008 financial crisis, in which banks and other institutions [coerced consumers into signing up for adjustable rate mortgages](#) without their knowledge. Similarly, the undisclosed use of customer's data, particularly its sale to unidentified third parties, is an unethical violation of consumer welfare and individual privacy. To learn more about what firms should be doing to protect consumer welfare and promote transparency in all transactions, continue reading this PDF guide.

# Acknowledgements

Written by Gareth Gransaul, Associate Director of Re\_Generation, with review by some of Canada and North America's most influential sustainability leaders.

## About Re\_Generation

[Re\\_Generation](#) is a Canadian youth movement that seeks to build a regenerative, sustainable, and just economy. We aim to reimagine our schools, repurpose our careers, and remodel our companies to be aligned with regenerative principles. In particular, we provide resources for individuals to launch impact-driven careers and advocate for change within their companies and schools. We also aim to advance public policies that promote regenerative and sustainable business practices.

Our successful 'Our Future, Our Business' Manifesto campaign received the support of 65 youth organizations, 130 high-level executives, and 100 civil society organizations recognizing the need for reform in business education on sustainability. After three years of existence as the Canadian Business Youth Council for Sustainable Development, we have changed our name to Re\_Generation to become more inclusive of all youth, not just business youth.

We believe that the ideal society is a [regenerative](#) one. Regeneration to us means putting human and ecological [well-being](#) at the centre of every decision. It means restoring relationships, both within nature and within society, while helping all communities to thrive. Read more about our history and vision at our [About Us](#) page.

## Issue Summary

Whether it is through the sale of unsafe products, predatory practices related to customer acquisition, or the exploitation of customer information, there are many ways that businesses can infringe on consumer welfare. Consumer protection regimes have been installed in many jurisdictions, but they are not always effective. A particularly egregious example of the violation of consumer welfare occurred in the US mortgage sector before the 2008 financial crisis, in which banks and other institutions [coerced consumers into signing up for adjustable rate mortgages](#) without their knowledge, and caused an [epidemic of home foreclosures](#) and evictions that disproportionately affected racialized communities. Similar scandals occur with alarming regularity in the financial sector, as evidenced by the recent [Wells Fargo account fraud scandal](#). The Business and Human Rights Resources Centre has identified [aggressive sales-maximization tactics](#) as a threat to human rights.

Similarly, the undisclosed use of customer's data, particularly its sale to unidentified third parties, is an unethical violation of consumer welfare driven by fundamentally extractive [surveillance capitalist](#) business models. The accumulation and manipulation of personal data poses great risks to our society, as it facilitates the commodification of human nature, an increase in [mental health issues](#) and [addiction, political polarization](#) and [fake news](#), and many other problems. The use of artificial intelligence for facial recognition technology is a particularly outrageous privacy violation, and Facebook [recently announced plans](#) to shut down its controversial facial recognition system in a rare capitulation to public backlash.

## Key Considerations

The Danish Human Rights Institute has generated a list of [self-assessment questions](#) related to product quality and marketing practices, which include:

- Does the company ensure that its products meet the highest health and safety standards?
- Does the company attempt to mitigate inappropriate uses of its products, which violate the privacy of others?
- If the company provides a utility which is a basic public service, does it provide access on a non-discriminatory basis and comply with the highest international and national standards regarding the provision and quality of the service?
- Does the company ensure that military, security or police equipment it produces are not used for torture or other cruel, inhuman or degrading treatment or punishment?
- Does the company take appropriate measures to prevent dual-use products from being used for acts of torture and other cruel, inhuman or degrading treatment or punishment?
- Does the company refrain from researching, manufacturing or selling equipment that is banned under international humanitarian law, or which is especially designed to commit torture or other atrocities against humans?
- Does the company refuse to manufacture, sell or distribute deadly or life-threatening products, and take adequate measures to prevent harm in use or consumption of its other products?
- Does the company refrain from using or encouraging the dissemination of discrimination, hate speech or incitement to violence in its advertising and marketing campaigns?
- Does the company protect customer data by obtaining customers' consent before it shares their customer data with other companies or business partners, and by disposing of customer information properly?
- Does the company respect the right to privacy in its marketing practices?

## Tools

For information pertaining to ongoing consumer protection issues, see the [Consumer Watchdog](#) and its research on the nexus between consumer issues, corporate misbehavior and political corruption. For information about product safety issues, see [Shep the Consumer Watchdog](#), as well as resources from the [Consumer Product Safety Commission](#).

The Global Reporting Initiative has released several disclosure standards related to consumer protection, which include standards on [customer health and safety](#), [customer privacy](#), [marketing and labelling](#), and [fines and sanctions](#).

The OECD has released a set of [guidelines for responsible business conduct](#) in the context of digitalization. For more information about data privacy options and consumer protection, see this [comprehensive guide to best practices](#) related to customer privacy and consent, as well as [this guide](#) from the US Federal Trade Commission. For more information on compliance with privacy law in Canada, see this [privacy guide](#) for businesses compiled by the Office of the Privacy Commissioner of Canada. The Business and Human Rights Resources Centre has also developed a [knowledge hub related to digital freedom](#).

The OECD also has a [knowledge hub related to financial consumer protection](#). For more information about best practices in consumer protection for the financial sector, see [these guidelines](#) from the Financial Services Commission of Ontario, as well as [this report](#) from the Financial Consumer Agency of Canada.

## Case Studies

The recent decision by Apple to introduce new App Tracking Transparency features to its iPhones that are designed to [limit the unsolicited sharing of customer data](#) without explicit consent is a positive step in the right direction. This decision had the consequence of eroding \$10 billion in revenue for major social media firms, as well as precipitous declines in market capitalization. More firms in the technology sector should implement similar measures to protect customer data, and to innovate new business models that do not depend on the extraction and sale of data without consent.

## Organizations/Initiatives

For more information about consumer protection, data privacy, and other issues, see the following organizations:

- [Consumer Watchdog](#)
- [Shep the Consumer Watchdog](#)
- [Consumer Financial Protection Bureau](#)
- [Consumer Product Safety Commission](#)
- [Consumer Protection Ontario](#)
- [Financial Consumer Agency of Canada](#)
- [Office of the Privacy Commissioner of Canada](#)
- [Privacy International](#)

- [Electronic Frontier Association](#)
- [Electronic Privacy Information Center](#)
- [Center for Democracy and Technology](#)
- [European Data Protection Board](#)
- [European Digital Rights](#)