THE RULE OF CAVEAT EMPTOR FOR E-COMMERCE TRANSACTION IN MALAYSIA

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ABSTRACT

The COVID-19 global pandemic has given bad impact to the world’s economy. Most of the business transactions was affected due to Movement Control Order (MCO). This led to the new norm in the sale of goods contract as the buyer tend to enter e-commerce transaction during MCO. However, this new norm of transaction has its own challenges and problems. Some of the buyer was manipulated by seller when entering e-contract such as the price, the condition of goods, the terms in delivery of goods and so on. Sometimes, there will be transport disruption, the delays on factory which make contracts difficult to perform on time or difficult to perform at all. A seller may be resisting offering refunds or may be unable to do so, or perhaps unwilling to supply the goods agreed at all. This article will generally analyse the existing Malaysian law on sale of goods and to what extent those laws are adequate in providing rights and protection of e-consumer in sale of goods contracts. This article also will focus on e-consumer’s right regarding description of goods which may be manipulated by the seller through advertising via online and shows the role of law in protecting the consumers from misleading and deceptive advertising.

Keywords: Sale of goods, caveat emptor, e-commerce, e-consumer, sale by description

PERATURAN CAVEAT EMPTOR DALAM TRANSAKSI E-KOMERSIL DI MALAYSIA

ABSTRAK


Kata Kunci: Jualan barang, caveat emptor, e-dagang, e-pengguna, jualan mengikut perihalan

INTRODUCTION

E-commerce now plays a vital role in our modern society. This electronic media has powerful effects on consumer. It provides convenient access to products without having to leave their homes or offices. Potential buyers and consumers will be provided with a lot of information regarding the products that make their purchasing experience quicker and easier than physical trade. The customer will be informed on the right side of the product, but he will refuse to point out the negative impact of the product. As a result of this aspect, the rights of consumers to electronic media may be violated by advertisements due to poor judgement in the purchasing of products. (Ghulam Shabir et.al., 2017).

The lack of close inspection of online transactions is a disadvantage for the consumer. The customer has to purchase a product without really understanding what it looks like. The danger that shoppers will face when they may select and purchase a product that they don't really need. Electronic photographs of a product can be deceptive and may vary in appearance from electronic images. Some people love to visit the physical store and like to take a close look at the items, even though they spend much more time than internet shopping. That's because electronic images do sometimes vary from physical looks when people purchase items from electronic images.

The other external factors derive from the complexity of e-commerce contracts and the nature of cyber space due to the scarcity of implementation and strong legislation that makes e-contracts for the sale of goods more reliable for consumers. Sometimes the practises and behaviours of the e-commerce industry do not retain the nobility of the contract as there are many external factors affecting consumer protection in e-commerce sales contracts. The business sector involved has been weak in building trust in e-commerce and the need for "trust" is much greater in e-commerce than in physical trading. This is because e-consumers are more
vulnerable because they are unable to review the goods before purchasing it and do not realise who they are going to purchase by. (Svantesson & Clarke, 2010).

There are several laws which provides the safeguard for online shopping such as Sale of Goods Act 1957, Consumer Protection Act 1999, Electronic Commerce Act 2006 and Consumer Protection (Electronic Trade Transactions) Regulations 2012. In addition to the applicable regulations and international standard regulations on e-commerce buyer deals for the selling of goods, there are a number of factors that may affect the deprivation of consumer welfare in e-commerce (Ong Tze Chin et.al. 2019). External causes, such as lack of knowledge of consumer protection, consumer economy, the expansion of government interference, a practical and effective dispute settlement process between e-commerce and buyers, and appropriate solutions for e-commerce contracts for the selling of products, have resulted in consumer protection legislation continuing to be scarce (Naemah & Roshazlizawati, 2013).

This article will generally analyse the legal safeguard for purchasing goods through online and it will focus on the obligation of the parties in electronic purchase include the role of e-retailers in creating the indispensable confidence in e-commerce that will be advantage to the businesses, buyers and community in general by improving the consumer protection. The writer also will give several recommendations that will be considered to overcome the issue arises from this online purchasing by scrutinizing consumer’s rights stated under the electronic consumer contracts for sale of goods and product liability.

THE RULE OF CAVEAT EMPTOR: SECTION 16(1) OF THE SALE OF GOODS ACT 1957

The doctrine of Caveat Emptor is an integral part of the Sale of Goods Act. It translates to “let the buyer beware”. It lays the responsibility of their choice on the buyer themselves. It is specifically defined in Section 16 of the Act “there is no implied warranty or condition as to the quality or the fitness for any particular purpose of goods supplied under such a contract of sale”. However, the exceptions were given to this provision in section 16(1)(a) and (b) of the Act stated that the goods must be reasonably fit for purposes for which the purchaser desires them, and goods must be of merchantable quality (Rahman, 2018).

These exceptions will be applied when the purchaser makes known to the seller explicitly or impliedly, the particular purpose of the goods as they desire in order to show that he depends on the seller’s skill or judgment, and the goods were supplied in the course of the seller’s business. There is an implied condition that the goods shall be reasonably fit for such purpose. In the context of e-purchaser, certainly the purchaser will rely on these implied conditions so as to obtain their rights in requiring goods which are acceptable quality and fit for such purpose they want them (Masum et.al., 2018). The doctrine of caveat emptor has certain specific exceptions:

i. Fitness of Product for the Buyer’s Purpose

Where the seller is told by the buyer of the reason for the purchase of the goods, it is assumed that he relies on the seller's judgement. The vendor then has an obligation to ensure that the items comply with their intended use.

ii. Goods Purchased under Brand Name
The vendor cannot be held accountable for the fitness of the goods when the consumer purchases a product under a trade name or a branded product. Therefore, there is no implicit requirement that the goods are acceptable for the buyer's intended purposes.

iii. Goods sold by Description

When the buyer buys the goods solely according to the description, there will be an exception. If the goods do not correspond to the description, the seller will then be liable for the goods.

iv. Goods of Merchantable Quality

Section 16(2) addresses the merchantability exception. The provision stipulates that the seller who sells goods by description has an obligation to supply goods that are merchantable, that is, capable of meeting market standards. Consequently, if the products are not of merchantability, then the consumer would not be the one responsible for them. It would be a risk for the seller. However, if the purchaser has had a fair opportunity to test the product, there would be no such exemption.

v. Sale by Sample

If the purchaser buys his goods after reviewing a sample, then the Caveat Emptor doctrine rule will not apply. If the remaining goods do not resemble the sample, the buyer shall not be held liable. In that event, the seller shall be solely responsible.

vi. Sale by Description and Sample

If the sale is made by means of a sample along with a description of the product, if the products do not match the sample and/or description, the purchaser would not be liable. And the seller is going to be liable.

vii. Usage of Trade

An implied condition or warranty exists with respect to the quality or suitability of the products/products. But if a seller has deviated from this the rules of caveat emptor no longer apply. For instance, at an auction of the contents of a vessel, A purchased property from B. But B did not tell A that the contents had been destroyed by the sea, and therefore the doctrinal rules would not apply here.

viii. Fraud or Misrepresentation by the Seller

That is a significant exception as well. If the seller obtains the purchaser's consent by fraud, then caveat emptor may not apply. In addition, if the seller conceals the products' material deficiencies that are later found through a more thorough inspection, the buyer would not be responsible. The seller would be liable in this case.
A seller makes his products available in the open market through promoting it. The purchaser considers all his options and afterward makes his decision. If the product he chosen was turns out to be defective or of inferior quality, the seller will not be responsible for this. The purchaser himself is liable for the decision he made. So, the aims of this rule is to make the purchaser more wary of his decisions. It is the obligation of the purchaser to make an inspection as to the quality and the uses of the product while buying it. The seller will not be blame for the product that turns out to be defective or which does not fit for his purpose according to this rule.

The purchasers being the weaker party in the profit-making dealings are either both taken for granted or disabused. The law comes to play an important role to get rid of the unfair profit gained by the seller. To what extent the law is effective is a different part that have to be reviewed together. However, most of the current marketing literature offers models for commercialization either through advertisement or other means of communication in changing the perception of buyers. In the current age, another idea of advertising has come. In the present day, media is playing the role as third party between seller and buyers’ relationship (Assael, 1992).

The question arose as to whether the purchasers exercised a full judgment of their own with regard to the quality of goods when making online purchasing. The description stated nothing about the merchantability of the products. Besides, it seems important to clear-cut the question of "examination" on whether the buyers had exercised a judgment of their own. Despite the fact that the purchasers had examined the outside of the goods, they had no skill or knowledge with regard to the quality of the goods itself. As the purchasers did not have precise knowledge about the buying products, there was no reason to exclude the implied condition of quality.

However this raises another issue, namely whether the seller is supposed to give sufficient opportunity for inspection and whether the buyer should in fact examine the products or carry out the notion of a caveat emptor? It is argued that the mere opportunity of an examination does not affect the legal duty to supply merchantable goods if the seller is a retailer and can thus be assumed to have a better knowledge of the goods. In fact, if the law were to be contrary, the protection conferred by the implied guarantee with regard to quality would have been quite weak, as the case of the existence of any kind of opportunity could be advanced in the overwhelming majority of circumstances. (Stoljar, 1953).

The entire reasoning of the suggested guarantee of value is correctly, that real assessment is uncommon or doubtful and, regularly, very illogical and cumbrous. Subsequently, the need to secure the purchaser, in any event where the vendor is a seller and is in this manner in a greatly improved situation to know the characteristics or deformities of the products. The wellspring of threat recently alluded to would now be able to be all around refreshing. For clearly in discussing "portrayal" as such the fundamental requests may handily be dismissed. Then again, by remembering the capacity and the reasoning of the suggested guarantee, the different blunders of approach truly emerge.

What was done in common law was to call the seller's statement of the quality of the products as a "condition" in which the sale is by the description and to call it a "warranty" under which the sale was a specific goods. In other words, the distinction between 'conditions and warranties' corresponded to the differences between the sale by description and the sale of
specific goods; and thus there was no separate distinction between a type of descriptive statement relating to specific goods known as 'condition' and a type known as 'warranty.' As far as the sale of specific goods was concerned, any descriptive claim amounted to a "warranty." It is true that the common law would apply to "infringement of condition" in one case i.e. if the particular products appeared to be absolutely worthless; but this terminology confused the "condition" with the quasi-contractual right to recover the purchase price if the purchase price had been complete (Stoljar, 1953).

**ADVERTISEMENT : THE SALE BY DESCRIPTION**

In order to increase helpful information for the purchaser, advertising is deemed necessary. It has the ability to bring on excessiveness. It may be pleasurable, but it is also a great influential and extremely well-to-do business. (Eric Clark, 1988). In a modern society, it is up to the advertiser/media and consumers to ensure that the promotion is used in a smart and conscientious way. In the development of event promotion, the purchaser plays an active role. Consumers review the advertising message while looking for answers to their purchasing dilemma (Ghulam Shabir et.al., 2017).

Advertising may therefore constitute a basis for product information as a guarantee of product quality. The purchaser's approach to a product could change the reaction to the advertising to which it is subject. Thus, the mind of the potential purchaser can go through a multitude of successive steps. The concept of desire excitement in the mind of the consumer is very important. The potential buyer is made to feel and considerate with the product or service being advertised.

Nik Abdul Rashid Majid define ‘advertising’ as :

‘Advertising is an art or science or corruption attempting to corrupt the minds of citizens, young and old, male and female, rich and poor to buy goods and services which they do not want to buy, but forced to buy, not because the product is good, but because the advertisement is so attractive, that they are selling the advertisement and not the products.’

There is no doubt that a distinction between the selling by description and the sale of specific goods is made by the Sale of Goods Act. Section 18 starts in the first place provides that 'where there is a contract for the selling of products by description,' which explicitly indicates the presence of other forms of sales. Secondly, point (c) of section 11(1) denies the right of refusal 'where the contract is for specific goods.' Then the preliminary question is what are "specific goods"? They are products that respond to the Act, which are "identified and agreed upon at the time a sales contract is concluded."

In defining "sale by description" the seller's duty to supply merchantable goods to goods sold " by description." was still limited. As regards specific goods, they had to comply with a "specific purpose", provided that this purpose was stated by the purchaser. In practice, this led to the exclusion of all normal and daily in-store sales from the application of the Act.

Thus, not only would a buyer purchasing the product over a counter have no right of refusal, but could not even recover damages for a latent defect unless the seller had issued an express warranty or the buyer had communicated its precise intent when purchasing the
product. In short, the caveat emptor rule has returned and triumphed with vengeance over such
transactions where its exclusion would have been both beneficial and important.

The media has changed the world market situation. It has a strong influence and the
ability to change consumer perceptions and behaviours as a strong tool that impact the
consumer market. The several studies on this media usage in sale of goods discover their
influence on the exchange in a consumer seller relationship. It also shows that the way the
media affects the consumer when they are suddenly informed the media and the consumer
follows what is displayed in the advertising. (Nilson, 1995)

The international marketplace has provided companies and industries with the best
opportunities to play a significant role through the media. The role of the media in changing
consumer behaviour in advertising activities has not been studied as much (Booth, 1993). The
role of media in selling goods is doubtful because at the same time, media advertisement
content can have a positive and negative effect on the company's position. Media functions as
requested by other market players and can have a positive and negative effect on consumer
behaviour. When transmitting the news, it can also take a neutral stance or even build the
impression of an imminent crisis and shift a negative view of the public right (Keane, 1991).

**ADEQUATE REGULATION**

Regulations on consumer protection must ensure that goods sold meet acceptable standards of
quality and safety. Furthermore, if the customer has made clear the reason for which the product
is intended to be used, the legislation must ensure that the e-retailer is only permitted to supply
goods which are appropriate for the purpose described by the consumer. Finally, the goods
supplied must comply with any descriptions supplied by the product. A contract in which any
form of liability is excluded by the e-retailer will rarely be fair to the customer. Consumer
protection legislation must make it clear that only under particular cases can an e-retailer escape
liability, where a fair risk balance between the buyer and the seller has been prescribed by
statute.

A useful regulation on consumer protection should include provisions protecting the
right of consumers to return or exchange products, if necessary. Those regulations should also
ensure that consumers are entitled to a refund when it is reasonable to claim it. For example, if
a defective product has had to be returned or if a payment mistake has occurred, a right to
repayment should exist. It is also the need of regulation on consumer protection allows for an
adequate "cooling off " time. In other words, such regulation must give consumers the right to
return goods or cancel a service within a reasonable time of entering into the contract for that
product. Where goods are returned to the seller, the cost for the return may fall on the consumer.

The SOGA's Section 16(1)(a) deals with implied condition as to fit for purpose. The
section specifies that if the goods are sold in the course of a business and the buyer explicitly
or indirectly disclosed to the seller of the intent for which the goods are purchased, then there
is an implied condition that the goods are reasonably fit for that purpose, even if it is a purpose
for which the goods are not usually purchased. This section can be invoked if the seller is made
aware of the reason for which the products are demanded, unless it is implied, but if a consumer
buys goods without saying something, the case may be protected by section 16(1) (b). Section
16(1)(a) tends to preclude private sales (Masum et.al., 2015)
Furthermore, "merchantable quality" was taken to mean that the products had to be reasonable fit the described intent. In general, "merchantable quality" means that the items sold are appropriate for the specific purpose for which they have been sold. They are unmerchantable if they are faulty for the reason. And when the article is sold under its trade name or patent name, this condition must be met. And when the article is sold under its trade name or patent name, this condition must be met. It is also important to remember that if the description in the contract is so general that the goods sold under it would generally be used for a variety of purposes, if the goods were suitable for any of the purposes, they would be 'merchantable' under that description.

The Consumer Protection Act 1999 (CPA) is the first statute that expressly provides for the protection of customers with respect to the procurement of goods and services. This is expressly specified in the preamble to the intent of the Act "to provide for the protection of consumers, the establishment of the National Consumer Advisory Council and the Tribunal for Consumer Claims, and for matters connected therewith". This ensures that protection under the CPA extends to all customers, regardless of the nature or method of their transaction, regardless of the nature or method of their transactions (Naemah & Roshazlizawati, 2013).

One of the gaps in the Consumer Protection Act is its supplementary nature. Subsection 2(4) provides that this Act is complementary in its application and does not affect any other Act relating to contractual relations. What happens if a conflict arises between the Act and the Contract Act 1950 or the Sale of Goods Act 1957 in a consumer contract, which law will prevail? In terms of privacy and the enforcement of the exclusion clause, there are clear contradictions between the CPA and the SOGA, which can be addressed only after litigation. Because of these differences, it is not clear if the CPA will really accomplish its main objective of providing customers with better safeguards.

The CPA provides for e-consumers to be shielded from misleading and deceptive behaviour, misrepresentation and market manipulation. This is found in Section 11 of the CPA, which is primarily concerned with supplying the customer with appropriate and reliable information since many of the issues encountered by customers are actually triggered by a lack of information and understanding of goods and suppliers. It includes the advertising of goods or services at an unusually low price by sellers to attract buyers to offer the product to purchase. Their real aim is obviously to sell the higher-priced product, and the low-price bid is just a 'bait.' The CPA protects e-consumers from this kind of misleading advertisement strategy in Section 13 (Naemah & Roshazlizawati, 2013)

Section 51 of the CPA provides that there is no right of recourse against the manufacturer if the goods fail to meet the implied warranty under section 50 because (a) of a default or omission of a person other than the manufacturer, or any statement made by such person; or (b) of a cause independent of human control, arising after the goods have left the control of the manufacturer. If these things happen, the customer is not going to have any contractual redress under section 51. The implementation of this exclusion clause is considered to be an instrument of injustice because it helps producers to escape their obligation.

The other shortcoming of the CPA is the issue of interpreting. For example, the defect test pursuant to Part X of the Act is based on a vague safety concept provided pursuant to Part III. There will always be room for discussion on issues of fact, degree and standard to decide whether a particular product is dangerous and therefore defective. Other than that, it is even more problematic to judge safety on the basis of what a person is generally entitled to (section
67(2)). At first sight, the test seems objective because it is based on the expectations of a particular person. However, it is the general expectation that will be considered and not the real expectation of a consumer.

Advertising is capable of educating consumers about the advantages and uniqueness of a product, but it can also deceive consumers at the same time. Therefore, advertisement must be controlled by statute. There is the law governing on trade description i.e. Trade Descriptions Act (TDA) 1972. The question is that whether the internet advertisement covered by this Act? The preamble of the Act is very wide in its scope and it can be argued that transactions in e-commerce apply too under the Act. Although the word Internet is not specified in Section 2 of the Act, the words 'by any other means' are broad enough to include Internet advertising. The main purpose of this Act is to punish offenders who commit acts of misleading and falsehood descriptions in their businesses or trading. In short, the labels or advertisements will not give misleading or false descriptions that induce the customers to purchase the goods or hire the services (Kamal Halili, 2012).

CONCLUSION

The Internet is an especially appropriate means of communication for those trying to engage in fraud – a professional-looking web shop can be set up within a few hours, can be run remotely and can be transferred and removed as appropriate to the needs of the criminal. Consumers also need information that helps them to determine the reliability of the e-retailer. Regulation on the protection of e-consumers would require e-retailers to include at least information on the identity of the e-retailer, information on the place of registration of the e-retailer (if applicable), information on the physical location of the e-retailer and information on the contact details of the e-retailer, including physical address, postal address, e-mail address and telephone number.

Seller must be supposed to make available all relevant information that can let customers predict the advantages and risks of entering into a specific transaction. Access to such knowledge allows the buyer to determine whether or not to contract and ensures that the customer knows what to expect. In addition, e-commerce is an appears to be a useful mode of transaction for providing information. Although it would be practically impossible to include signs or printed information material detailing the specifications of all goods sold in physical stores, it is easy for an e-retailer to interact detailed information on the products it sells. Thus, legislation requiring e-retailers to provide detailed descriptions on their goods, the distribution process and others information which is necessary and not burdensome for e-retailers.

No single legislation has been enacted in Malaysia that protects e-consumers. Even the Consumer Protection Act 1999 (Act 599), which is the primary consumer protection regulation, has not been expanded to cover e-commerce. This has given rise to a perception by consumers that legal safeguards on e-commerce transactions in Malaysia is almost non-existent. The legal barrier seems to be untenable, especially with regard to transactions from Business to Consumer. In the event of misleading advertising and description in e-commerce, the same issue still arises on the governing law that can be referred in settling the disputes.

The comprehensive review of the Sale of Goods Act and the Consumer Protection Act with respect to the product quality provision should be conducted to include the rights of the purchaser in the online purchase. The buyer's duty to be mindful of the purchasing of the
products should be passed to the seller to be more careful in advertising their product online in order to prevent misrepresentation when entering into the contract. The other related laws such as Electronic Commerce Act 2006, Consumer Protection (Electronic Trade Transactions) Regulations 2012 and Trade Description Act 2011 have to be viewed together in determining the duties and rights of seller-buyer.

REFERENCES:


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**Statute**

Sale of Goods Act 1957
Consumer Protection Act 1999
Electronic Commerce Act 2006
Consumer Protection (Electronic Trade Transactions) Regulations 2012
Trade Description Act 2011