

## Assessment of Consumers' Knowledge of Selected Laws and Regulations

*M. J. Alhabeeb and Sheila Mammen,  
University of Massachusetts, Amherst*

*Steve Gary, Massachusetts Northwestern District Attorney Office*

Consumer rights and responsibilities are essential components of consumer education, and they can be used to protect consumers in their pursuit of satisfaction in the market place. Consumers bear the sole responsibility of knowing and utilizing their rights as well as knowing, accepting and honoring their responsibilities. However, having rights alone cannot provide consumers with protection, and having responsibilities will not automatically bring about fairness to the maze of relationships in the free-market system. Consumers have to be aware of existing laws and regulations, informed of the structure and function of legislation and the legislative process, and active in updating those rights and responsibilities for proper balance and fairness in the market. Full benefits of existing legislation can only be achieved when consumers use, test, and challenge their knowledge of the laws and regulations designed to protect their rights. Generally, consumers tend to be willing to accept and fight for their rights more than to accept and be committed to their responsibilities (Davis, 1979; Crawford, Lawrence & Prawitz, 1995). Consumers' unfamiliarity with their rights and responsibilities not only exposes them to fraudulent practices, but also limits their abilities to make free and satisfactory choices. Research shows that consumer education increases consumer knowledge (U.S. Senate Committee on Commerce, 1993), and accumulated consumer knowledge can, in turn, be very effective in determining the type of evaluation process which mediates the final value judgements for consumer decisions (Sujan, 1991).

According to Uhl's (1971) model, effective consumer protection requires a dynamic and interactive relationship among consumers, government, and businesses. Feldman (1980) argues that consumer protection measures have much broader implications than their role in the solution of specific problems. Individually, their effect on our market system may be negligible or moderate but collectively they may play an important role in validating the consumer's freedom of choice. If the major instruments in consumer protection are education, legislation, and self-regulation, consumer education along

with the state and federal regulatory and legislative power should lead the way in protecting consumers in the market place. However, business self-regulation on a full scale seems to be an unrealistic and unattainable goal to be achieved in a profit-oriented and corporate-powered system. It can be assumed that in fostering the economic welfare of consumers, governments regulate the market to discourage or ban undesirable practices. Also, they educate consumers so they can be more aware of their options and be able to act more effectively in their individual interests (Lee & Zelenak, 1990).

### Purpose and Justification

The purpose of this study was to gauge the level of consumer knowledge on a variety of state and federal laws and regulations related directly to consumers' rights and responsibilities. Another purpose was to examine the association between consumer knowledge and selected household characteristics. The resulting consumer awareness profile will help identify key strategies in the development of a strategic and effective community education program in consumer protection.

### Methods

A questionnaire was mailed to 800 consumers in Hampshire and Franklin Counties in western Massachusetts. Questions covered a variety of basic consumer concerns in areas with the most complaints as identified in consumer literature. These areas of complaint were (a) used vehicle acquisition and repairs, (b) warranties, (c) purchase contracts, (d) debt collection, (e) credit reports, (f) security deposits, (g) Lemon Aid Law, (h) home improvement, (i) defective products and (j) return policies. The sample consisted of consumers who contacted the District Attorney's Office with a question or a complaint. Four separate lists of 200 each were released by the District Attorney's Office during November, 1994-April, 1995. The questionnaire was mailed to all 800 individuals. Response rate was 32%, with 259 completed questionnaires received. True/false and multiple-choice questions were used to measure consumers' awareness of their rights and their knowledge of state and federal laws and regulations. Frequencies, percentages and cross tabulations were used to analyze the data.

## Sample Characteristics

Nearly two-thirds of the respondents in the sample were females. Average age of respondents was 42 years, and mean education was 13.8 years. Median income was \$23,921 a year. Almost 91% of the respondents were white, and 71% were homeowners. Slightly more than one-half of the respondents were married. Almost 85% were employed.

## Results and Discussion

The major finding of this survey is that consumer awareness was high among the respondents in this sample. Table 1 shows the percentage distributions of correct responses to questions about knowledge of state and federal laws.

Table 1. Percentage Distribution of Correct Answers

Consumer Area	%
Knowledge of State laws	
Auto repair estimate	99.2
Security deposit	89.1
Home improvement	71.9
Lemon Aid law	43.3
Used vehicle warranty	31.3
Purchase warranty	25.5
Return policy	25.2
Purchasing contract	21.9
Mean	50.9
Knowledge of federal laws	
Credit report	94.8
Winning a prize	89.3
Unordered merchandise	63.5
Debt collection	51.6
Mean	74.8

### Knowledge of State Laws

Almost all of the respondents answered correctly that they have a right to request a written estimate listing costs of specific repairs when they take their car to be repaired. This was the only question on the survey where almost all of the respondents were aware of

their consumer right to request a written estimate without any obligation. A little over 89% of the respondents knew of their rental rights that their landlord must keep their security deposit in a separate interest-bearing account. In Massachusetts, landlords are legally required to place the security deposit in a separate saving account in a Massachusetts bank where it can earn interest. The majority of respondents were aware that they will be protected under the home-improvement law if their contractor is not registered with the state. Commonly, protection is only provided if the contractor is registered.

Forty-three percent correctly indicated that the Lemon Aid Law protects them if their car fails state inspection within seven days of purchase and if the cost of repair exceeds 10% of the sale price. Sixty-nine percent of the sample were knowledgeable about the used vehicle warranty law applying to a private seller as well as to a dealer. It should be noted that the Used Vehicle Warranty Law, Massachusetts General Law, Chapter 90 section 7N1/4, protects customers who buy used vehicles from dealers as well as from private parties. In reality, however, this law applies mostly to registered auto dealers and minimally towards uncertified dealers and private parties.

On another true/false question, respondents were asked if they have a right to a warranty, other than the warranty that came with the product. Almost 26% of the respondents correctly answered true. It should be noted that the additional warranty to the one that consumers receive with the product is the implied warranty which states a product must do what it is designed to do with reasonable safety and ease for a reasonable amount of time. To another question concerning what they could do if a product they bought from a store with a no-return policy was defective, a little more than 25% answered correctly that they are entitled to its repair, a replacement, or a refund. Over one-half of the sample (56%) incorrectly believed that they were entitled to a repair or replacement but not a refund. When respondents were asked if they had the right to cancel any purchase contract within three business days, almost 22% answered correctly by checking false. There are very few situations where a law allows a cancellation of a contract such as in door-to-door sales, home shows, health club and time share memberships.

### *Knowledge of Federal Laws*

When respondents were asked where they could obtain a copy of their credit report, about 95% correctly indicated a credit bureau. Eighty-nine percent of the respondents answered correctly that when notified of winning a prize, they do not have to provide their credit card number or social security number. This clearly indicates that a large majority of the respondents are aware that personal information is not required to receive a prize, nor is there a financial obligation to accept a prize. Slightly less than two-thirds of those surveyed correctly responded that unordered merchandise may be considered an unconditional gift.

Slightly more than one-half (51.6%) knew that a debt collector cannot call them at work when their employer has disapproved, seize their property, or contact them by postcard. It should be clarified here that a debt collector can legally contact the consumer in person, by mail (in a sealed and confidential letter), telephone or telegram. However, he cannot publicly disclose the debt or seize the property without a court judgment or contact the consumer at work when the employer has disapproved.

### *Differences Based on Survey Items*

Based on the overall means, respondents were more likely to provide the correct response to federal laws than to state laws (74.8% versus 50.9%). There seemed to be a lack of awareness in the state law regarding purchase contract, return policy, purchase warranty, used vehicle warranty and Lemon Aid Law. At the federal level, respondents generally were not very aware of their rights in the areas of debt collection and unordered merchandise. Respondents were most knowledgeable about their rights at the state level in auto repair estimate, security deposit, and home improvement, and at the federal level in credit report and winning a prize.

### *Differences Based on Respondents' Characteristics*

Responses were analyzed by selected socioeconomic and demographic variables. Respondents who were homeowners and those with full-time employment were more knowledgeable about state and federal laws than were renters and respondents with part-time employment. Divorced and widowed respondents were more

aware of their rights than were single or married individuals. Surprisingly, respondents with lower levels of education were more likely to be knowledgeable of consumer laws compared to those with higher levels of education. There were no significant differences in the level of awareness of consumer rights by age, gender, race, and income.

### **Conclusions and Implications**

This study produced some interesting results. The finding that respondents were more knowledgeable about federal laws than state laws implies that the Commonwealth of Massachusetts must make greater efforts to educate consumers regarding state laws. Responding to this gap, existing consumer education programs, especially those of Cooperative Extension, should give more weight to consumer rights and responsibilities at the state level relative to the federal level. The finding that divorced and widowed respondents knew more than married respondents may indicate that divorced and widowed individuals have to manage their resources in a more effective way; hence, they know more. The finding that homeowners were more knowledgeable than renters may be attributed to the process of home ownership where they have to go through a search for information and complete a large amount of paperwork. Perhaps renters should also go through a similar process with landlords required to offer more information on consumer rights and responsibilities to their prospective tenants.

Another interesting finding was that age, gender, race, and income had no clear effect on consumers' awareness of their rights. Regardless of the reason for lack of significance, consumer education should be offered to all segments of society.

Results of this study are by no means conclusive. Although the findings may, to a certain degree, reflect the state of consumer knowledge in western Massachusetts, they cannot be generalized statewide or nationwide. A major limitation was that the sample may carry an element of selectivity due to the fact that the pool consisted of those who already had problems or concerns. Further research is warranted to address these limitations.

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**M. J. Alhabeeb** is Assistant Professor, Department of Consumer Studies, University of Massachusetts, 108 Skinner Hall, Amherst, MA 01003-6910; (413) 545-5010; e-mail: mja@constudy.umass.edu.

**Sheila Mammen**, is Associate Professor, Department of Consumer Studies, University of Massachusetts, Skinner Hall, Box 36910, Amherst, MA 01003-6910; (413) 545-2391; e-mail: smammen@constudy.umass.edu.

**Steve Gary** is Director of Consumer Protection Division, Massachusetts Northwestern District Attorney Office, One Court Square, Northampton, MA 01060; (413) 586-9225.