

New Consumer Protection Act - Price Indication and Unfair Commercial Practices

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On May 28th, 2022 a new Consumer Protection Act entered into force, implementing the Directive (EU) 2019/2161 in the Croatian legal system, that is, one of the latest regulatory mechanisms at the EU level which aims to improve enforcement and modernization of consumer protection rules. The new Act continues to protect consumers from unfair and misleading practices and traders' omissions, but at the same time introduces several changes for traders. The most significant changes are contained in the provisions on the price display of goods and services, while other changes concentrate on the behavior of traders towards consumers and the protection of consumers from misleading information about goods and/or services offered by the trader. To help you in the process of harmonization with the new regulations, through a series of three publications, we will present to you an overview of the most important news.

Indication of the prices – general view

Primarily, the CPA stipulates that the trader must clearly, visibly and legibly indicate the retail price and the price per unit of measurement of the products he offers. In addition to those prices – in principle - other prices may not be displayed on the product or at the point of sale. Exceptions, which relate in particular to specific forms of sales, will be described below.

It will not be necessary to indicate the price per unit of measurement of the product if such price is identical to the retail price of the product (for example: if the weight of an individual product is one kilogram). Likewise, the price per unit of measurement must be stated when advertising the retail price of a product or service (for example, in a flyer).

What are special forms of sales?

A non-exhaustive list of special forms of sales, among other things, includes:

- special offer;
- sales (sell-out);
- seasonal sales (discounts);
- sales of the defective goods; and
- sale of the expiring goods.

It is important to point out here that this list is not a "exhaustive list" and that other announcements of price

reductions should be considered as special forms of sale.

Indication of the prices in case of special forms of sales

In case of a special form of sale, prices are indicated as follows (i) price applied during the duration of the special form of sale (numerical display) and (ii) the lowest price applied by the trader for the same goods during the period of 30 days before the implementation of the special form of sale (numerical display).

Traders are not prohibited from using percentages and percentage value or from crossing out the previous price in addition to the above stated display, but only if the numerical display of the two prices listed above is clearly indicated.

The mentioned rules on price indication also apply to advertising of goods (advertisements, leaflets, advertising posts on social networks, etc.), but not to advertising of services and off-premises contracts and the distance contracts (in relation to services).

Price calculation for a special form of sale

For the better-understanding-reasons, we will describe the rules for calculating the price for a special form of sale on the example of "special offer". There are two steps:

1. The trader announcing the price reduction must determine the minimum price he charged for the goods in question during the period of 30 days prior to the implementation of the special form of sale. Such a minimum price includes any previous "reduced" price during that thirty-day period.
2. The determined "previous" price is the reference price, i.e., the previous price is reduced by a defined percentage of reduction. The resulting amount represents the price for a special form of sale.

General price reduction announcements

When traders announce price reductions in a general manner, for example "20% discount on everything today", there is no obligation to indicate the specific price for a special form of sale and the lowest price in the last 30 days in such announcements.

However, both prices for individual goods covered by the announcement must be stated at the point of sale, i.e., on the appropriate labels in stores or in the price sections on *online store* interfaces.

Collective advertising

The price indication provisions do not prevent collective advertising of price reductions if group entities, such as franchisors, plan and advertise price reduction

campaigns on behalf of sellers (retailers) who distribute their products.

If such a group entity announces price reductions on behalf of its members, that entity must ensure that retailers participating in the reduction can meet the price reduction requirements, e.g., it must allow those retailers to comply with the "previous" price indication rules.

Every retailer who participates in the price reduction in this case is also responsible for ensuring that the relevant goods sold as part of the price reduction campaign have the correct "previous" price.

Price indication and unfair commercial practices

In any case, the provisions on unfair and misleading commercial practices should always be observed, even if something is allowed in the price indication rules *per se*.

For example, it could be considered an unfair commercial practice to announce a general statement of "discounts of up to 80%" if in reality the price is reduced by 80% for only few products, while the price of other products is reduced by a much lower percentage.

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