

MEDIA RELEASE

17 January 2020

E-Commerce Retailer Fashion Interactive Ordered to Cease Unfair Trade Practices and Stop Using “Subscription Traps”

1. The State Courts have declared that Fashion Interactive Pte. Ltd. (“**Fashion Interactive**”), an e-commerce retailer selling shoes on its website (myglamorous.sg), and its director, Mr. Magaud Olivier Georges Albert (“**Mr. Magaud**”) have engaged in unfair trade practices under the Consumer Protection (Fair Trading) Act (Cap 52A) (the “**CPFTA**”), and ordered them to cease such practices (“**declaration and injunction**”). The Court Order takes effect from 6 January 2020.

Background

2. The Competition and Consumer Commission of Singapore (“**CCCS**”) applied to the State Courts on 28 November 2019 to obtain an injunction against Fashion Interactive and its director, Mr. Magaud to stop them from engaging in an unfair practice known as a “subscription trap” on its shoes e-commerce website, myglamorous.sg.
3. A “subscription trap” is a practice by suppliers to mislead consumers into signing up for a recurring subscription by giving consumers the impression that they are only making a one-off purchase of goods and/or services. If consumers do not cancel such subscriptions, typically within a grace period, they would be liable for recurring charges.
4. The Consumers Association of Singapore (“**CASE**”) had earlier intervened to help affected consumers obtain refunds for the charges made by Fashion Interactive to their credit/debit cards. However, CASE continued to receive new complaints about Fashion Interactive automatically charging consumers recurring monthly membership fees without their knowledge or consent. CASE issued a Consumer Advisory¹ in January 2019.

¹ CASE consumer advisory:
https://www.case.org.sg/consumer_guides_consumeralerts_archive.aspx?month=January&year=2019

CCCS's Findings

5. Following referral from CASE, CCCS's investigations revealed that Fashion Interactive had not sufficiently disclosed key information to consumers and consumers were misled into purchasing a membership subscription with recurring monthly fees. Investigations also revealed that Mr. Magaud directed the design of the advertisements and myglamorous.sg website. He wanted the focus to be on the discounts and shoes and not on the membership subscription and its recurring monthly fees.
6. Consumers were enticed to click on the "SHOP NOW" action button on Fashion Interactive's advertisements placed on Facebook/GoogleAd by the greatly discounted prices shown. Upon clicking through and being led to the product page on the myglamorous.sg website, consumers were exposed to more images of shoes and discounted prices. Throughout the purchase process, there was no notice provided to consumers that they were unable to purchase shoes at the advertised price without first subscribing to Fashion Interactive's "VIP Club" membership with recurring monthly fees. Consumers were led to believe that they were consenting to a one-off purchase of shoes when they clicked on the "PLACE YOUR ORDER" button at the payment page. Under the prominent and boldly-coloured "PLACE YOUR ORDER" button was a check box with an "opt-in" sentence. CCCS found the "opt-in" sentence failed to adequately inform consumers that by clicking on the check box they would be consenting to Fashion Interactive's membership terms and recurring monthly fees. Further, CCCS found that the need to click on the check box could be bypassed. For consumers who did not click on the check box and attempted to complete the transaction by clicking on the "PLACE YOUR ORDER" button, a pop-up box would appear asking for the consumers' consent to agree to the Terms and Conditions. CCCS found that in this pop-up box, key information stating that the consumer agrees to subscribe to the membership and be charged a recurring monthly fee, was omitted. Consumers who proceeded to click the "I agree" button, did not know that they had consented to be charged a recurring monthly fee.
7. Further, Fashion Interactive neither provided information of the membership subscription and its recurring monthly fees in its post-purchase email sent to consumers nor sent any invoices or receipts to notify its customers of the membership subscription and recurring monthly fees.

Court Order

8. The Court Order prohibits Fashion Interactive, whether by its directors, agents, employees or otherwise, from misleading consumers into signing up and/or continuing with a subscription service requiring payment or recurring payment. In addition, the Court Order prohibits Mr. Magaud from abetting Fashion Interactive in misleading the consumers into signing up and/or continuing with a subscription service requiring payment or recurring payment relating to online transactions or

services, when it had appeared to the consumer that he was purchasing goods or products rather than services or recurring services.

9. Fashion Interactive must notify CCCS of any changes related to its business, including changes to its internet addresses or name and if it establishes a website or mobile application for consumer transactions. In addition, Mr. Magaud must notify CCCS of the status of his employment, directorship and partnership.
10. The Court Order also requires Fashion Interactive to perform the following for a period of three years (i.e. until and including 5 January 2023): (a) display the details of the declaration and injunction on the landing page of its website; (b) before entering into a contract with consumers, notify them about the declaration and injunction and obtain the consumer's acknowledgment of such notification; and (c) include in every invoice or receipt a statement that a declaration and injunction has been granted against it.
11. The use of "subscription traps" contravenes the CPFTA which states that it is an unfair trade practice to omit to provide a material fact to a consumer, use small print to conceal a material fact from the consumer or mislead a consumer as to a material fact, in connection with the supply of goods or services. Retailers should provide clear and accurate information on the price of goods and services, including costs such as subscription fees, in their advertisement. Retailers should also make key terms and conditions prominent, accessible and easy to read. CCCS will not hesitate to take action against errant retailers who persist in unfair trade practices.

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About the Competition and Consumer Commission of Singapore

The Competition and Consumer Commission of Singapore (“**CCCS**”) is a statutory board of the Ministry of Trade and Industry. CCCS administers and enforces the Competition Act (Cap. 50B) which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) or CPFTA which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for business and consumers in Singapore.

For more information, please visit www.cccs.gov.sg.

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Annex A

ROLES OF AGENCIES UNDER THE CONSUMER PROTECTION (FAIR TRADING) ACT

The Consumers Association of Singapore (“CASE”) and Singapore Tourism Board (“STB”) remain the first points of contact for local consumers and tourists respectively to handle complaints. They will assist in obtaining redress and/or compensation through negotiation and/or mediation. Errant retailers may enter into a Voluntary Compliance Agreement (“VCA”) with CASE or STB, where they will agree in writing to stop the unfair trade practice and compensate affected local consumers or tourists. Errant retailers who persist in unfair trade practices will be referred to Competition & Consumer Commission of Singapore (“CCCS”) for investigation and follow-up actions.

CCCS is the administering agency for the CPFTA and has investigative and enforcement powers to take timely actions against recalcitrant retailers. CCCS looks into cases of errant retailers who persist in unfair trade practices. Specifically, it is able to:

- Gather evidence against persistent errant retailers;
- File timely injunction applications with the courts; and
- Enforce compliance with injunction orders issued by the courts

Annex B – Screenshots of Purchase Process

Annex C – Order of Court

Annex D – Infographics