



## Consumer Protection in the Digital Marketplace: Legal Frameworks, Courts, and Enforcement Practices

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### Abstract

The rapid expansion of Nepal's digital marketplace has heightened the need for an effective and responsive consumer protection regime. Grounded in the Consumer Protection Act, 2018, Nepal's legal framework guarantees fundamental consumer rights, including safety, access to information, choice, and redress. Enforcement is shared among multiple regulators, notably the Department of Commerce, Nepal Rastra Bank, and the Nepal Insurance Authority. A major institutional milestone is the establishment of the Consumer Court in March 2025, marking a shift from largely quasi-judicial mechanisms to a specialized judicial forum for consumer dispute resolution. This article examines the statutory foundations of consumer protection, the evolving role of sector-specific regulators in digital and financial markets, and emerging jurisprudential trends of the Consumer Court, including high-compensation medical negligence cases. While recent reforms have strengthened judicial access and oversight, challenges persist in consumer awareness, regulatory coordination, and adapting enforcement to digital market complexities. The article emphasizes the need for enhanced consumer education, institutional strengthening, and coordinated regulatory action.

JAMMU AND KASHMIR  
ECONOMIC ASSOCIATION

**Keywords:** Consumer protection, Consumer Protection Act, court, consumer protection law, consumer protection practices

### Introduction

Amid rapid market liberalization, digitalization, and the increasing complexity of goods and services, consumer protection has emerged as a critical legal and policy concern in Nepal. This article analyses the statutory foundations of consumer protection, the evolving role of sector-specific regulators in digital and financial markets, and the early jurisprudential trends of the Consumer Court in Nepal. *Who Is a 'Consumer'? A Legal Perspective*. The Constitution of Nepal (2015), under Articles 44(1) and 44(2), explicitly recognizes consumer rights as fundamental rights, guaranteeing every citizen the entitlement to obtain quality goods and services. This constitutional mandate is operationalized through the Consumer Protection Act, 2018, which provides a statutory definition of a "consumer." Section 2(d) of the Act defines a consumer as any person or institution that consumes or uses goods or services. This broad formulation reflects Nepal's intent to extend legal protection beyond individual purchasers to include institutional users within the marketplace.



A comparable approach is evident in the Consumer Protection Act of India, which offers a more elaborated definition under Sections 2(d)(i) and 2(d)(ii). Under Indian law, a consumer is defined as a person who purchases goods or hires or avails services for consideration whether paid, promised, partly paid, or under a deferred payment system and includes any user or beneficiary of such goods or services with the approval of the original purchaser. Notably, the Indian framework explicitly excludes persons who acquire goods or services for resale or for commercial purposes, thereby drawing a clear distinction between consumers and commercial actors. This comparative perspective highlights both the inclusiveness and the limitations inherent in statutory definitions of 'consumer' and underscores the importance of precise legal interpretation, particularly in the context of increasingly complex digital and service-based transactions.

In response to evolving digital markets, the United Kingdom enacted the Digital Markets, Competition and Consumers Act, 2024, replacing the Consumer Protection Act, 1987. The Act narrowly defines a consumer as a natural person acting mainly outside trade or professional activity and places the burden of proof on traders to show that an individual is not a consumer. Section 1.3 emphasises that consumer protection obligations primarily apply to traders, enhancing accountability.

By contrast, Nepal and India adopt broader definitions, extending protection to institutions or businesses using goods or services, though Indian law excludes commercial use. The UK approach focuses strictly on individuals for non-professional purposes, reflecting stronger trader responsibility and a sharper regulatory focus on digital markets, market power asymmetries, and individual rights.

### **Consumer Protection Practices in Nepal**

The Consumer Protection Act, 2018 in Nepal seeks to ensure consumers' access to quality goods and services at fair prices while safeguarding them from unfair trade practices. Its key provisions mandate clear product labelling and price disclosure, uphold warranties, and prohibit deceptive advertising and manipulation of measuring instruments. The Act also guarantees fundamental consumer rights such as information, choice, safety, and redress. Empirical evidence highlights the importance of these rights Rawal (2023), in a survey of Kailali district, found that consumer awareness is moderately favourable, varying significantly by gender, age, occupation, and education, but not by location. Higher awareness correlates with rational purchasing, critical thinking, enhanced life skills, and protection from market exploitation. From the perspective of intellectual property, Pandey (2019) identifies counterfeit goods as a growing concern under Nepal's outdated Patent, Design, and Trademark Act (PDTA), which, along with weak trademark enforcement, threatens consumer health, safety, and economic rights. Strengthening consumer protection requires urgent reforms, including updating the PDTA, implementing effective customs recordation systems, and improving enforcement coordination.

### **Consumer Court in Nepal**



The establishment of the Consumer Court in Nepal followed a Supreme Court order on February 20, 2022, directing the government to set up consumer courts in all seven provinces in response to a Public Interest Litigation (PIL) petition<sup>1</sup>. Section 41 of the Consumer Protection Act, 2018, provides the legal basis for these courts, and the Government of Nepal inaugurated the Consumer Court on March 15, 2025, with jurisdiction over Kathmandu, Lalitpur, and Bhaktapur districts<sup>2</sup>. Consumers who believe their rights have been violated can file complaints via email or in writing. Complaints are first examined by an inspection officer, who may file a case in the court with an attorney's recommendation. Once filed, respondents have 15 days to appear, and investigations are typically completed within a week<sup>3</sup>.

The Department of Commerce handles minor infractions, while the Consumer Court addresses cases involving fines above Nepalese Rupees (NPR) 300,000 or imprisonment exceeding one year. The court adjudicates claims related to health-risk products, unfair pricing, or low-quality goods. Under Article 44 of the 2015 Constitution, consumers have the right to seek judicial redress through these specialised courts.

## Consumer Protection in Financial Services

Consumer protection (CP) plays a vital role in promoting fair trade practices, safeguarding consumer rights, and fostering trust in markets. With the rapid expansion of digital transactions, financial services, and e-commerce, effective CP mechanisms have become essential to address challenges such as fraud, data privacy risks, and regulatory complexity (Goel et al., 2025).

In Nepal, financial consumer protection is recognised as a core social obligation of Nepal Rastra Bank (NRB). The Third Strategic Plan (2017) emphasises protecting consumers from risks arising in an increasingly complex financial sector. To this end, NRB has issued prudential directives and enacted the Financial Consumer Protection and Grievance Management Procedure, 2020, which establishes a dedicated Financial Consumer Protection Unit under Chapter 4, No. 8<sup>4</sup>.

Under NRB directives, financial institutions must ensure transparency in products and services through clear disclosure of interest rates, fees, penalties, loan terms, deposit conditions, and digital payment procedures. Information should be communicated clearly and promptly, with special assistance for elderly and disabled customers. Institutions are also required to maintain effective grievance mechanisms, protect consumer confidentiality, educate customers, and regularly update information through accessible channels such as websites and audio noticeboards.

In the insurance sector, the Insurance Act, 2024 (Chapter 17, Section 128) enables policyholders to file complaints against insurers for delayed claim settlements, requiring insurers to justify such delays under Section 128(2). Despite the presence of a regulatory framework, challenges persist in implementation and consumer awareness. The Second Strategic Plan (2023–2027) of the Nepal

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<sup>1</sup> [https://nkp.gov.np/full\\_detail/10137](https://nkp.gov.np/full_detail/10137)

<sup>2</sup> <https://myrepublica.nagariknetwork.com/>

<sup>3</sup> <https://risingnepaldaily.com/news/58763>

<sup>4</sup> <https://www.nrb.org.np/category/manual-guidelines/>



Insurance Authority further underscores consumer protection as a priority, identifying the federal and provincial governments and policyholders as key stakeholders in strengthening the insurance consumer protection regime<sup>5</sup>

Consumer protection (CP) is essential for ensuring fair trade practices, safeguarding consumer rights, and fostering trust in markets, particularly amid the growth of digital transactions, financial services, and e-commerce (Goel et al., 2025). In Nepal, financial consumer protection is recognised as a key social obligation of Nepal Rastra Bank (NRB). The NRB's Third Strategic Plan (2017) and the Financial Consumer Protection and Grievance Management Procedure, 2020 institutionalise this mandate through the establishment of a dedicated Financial Consumer Protection Unit.

Financial institutions, under NRB directives, are required to provide transparent and easily understandable information on financial products, interest rates, fees, penalties, loan terms, and digital payment processes. They are also required to maintain effective grievance redress mechanisms, safeguard consumer confidentiality, offer additional support to elderly and disabled customers, and regularly update information through websites and audio noticeboards.

In the insurance sector, the Insurance Act, 2024 (Chapter 17, Section 128) enables policyholders to file complaints for delayed claim settlements, requiring insurers to justify such delays. While regulatory provisions exist, enforcement and consumer awareness remain significant challenges. The Second Strategic Plan (2023–2027) of the Nepal Insurance Authority further emphasises consumer protection, identifying the federal and provincial governments and policyholders as key stakeholders in strengthening the insurance consumer protection framework.

## **Consumer Protection and Anxiety within the Medical Community**

Medical negligence in Nepal refers to the legal liability of healthcare professionals for failure to provide the required standard of care, resulting in patient harm. The regulatory framework is dispersed across multiple statutes, including the Consumer Protection Act, 2018, the Civil and Criminal Codes, 2017, the Medical Council Act, 1964, and the Public Health Service Act, 2018, offering both civil and criminal remedies. In practice, however, enforcement primarily relies on civil liability and compensation, with patients increasingly pursuing remedies under consumer protection law rather than professional regulatory mechanisms.

Despite the long-standing existence of the Medical Council Act, few negligence cases have been pursued under it. Instead, patients have preferred the Consumer Protection Act previously under Sections 22 and 24 of the 1998 Act and now under Sections 50–52 of the 2018 Act due to its clearer compensation mechanisms. Since its establishment, Nepal's Consumer Court has adjudicated several high-profile medical negligence cases, with nearly half of its caseload reportedly related to healthcare disputes (Kathmandu Post). The Court has awarded substantial compensation, at times overturning decisions of the Nepal Medical Council, and thereby intensifying debate within the medical community.

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<sup>5</sup> <https://nia.gov.np>



Recent verdicts, including Gautam v. Om Hospital, Bhandari v. Grande City Hospital, and Gautam v. Himal Hospital, have heightened concerns among medical practitioners, who argue that such rulings foster professional anxiety, encourage defensive medicine, and undermine trust in existing regulatory bodies (Lamsal, 2025; Chaulagain, 2025). While doctors advocate for a stronger role of the Nepal Medical Council in adjudicating negligence claims, the Consumer Court maintains that its decisions are grounded in expert evaluation and legal scrutiny to ensure patient justice (Dahal, 2025). The growing overlap between consumer adjudication and medical regulation thus reflects a broader tension between patient protection and professional autonomy in Nepal's evolving healthcare landscape.

## Consumer Protection Challenges in the Digital Marketplace

Recent studies highlight the increasing importance of digital consumer protection in the context of expanding online commerce and platform-based services. In India, Gupta and Singh (2024) and Babayev (2023) emphasise the role of robust legal frameworks, effective regulatory institutions, and consumer education in safeguarding digital consumer rights. They advocate awareness-building initiatives and accessible grievance redressal mechanisms to enhance consumer confidence and trust in digital markets. Jahongir (2023) further underscores the need for strong enforcement mechanisms, flexible regulatory approaches, and alignment with international standards to address challenges such as online fraud, data privacy violations, deceptive advertising, and unfair contractual terms. Similarly, Ballaji (2024) observes that while the rapid growth of digital payments promotes convenience, security, and financial inclusion, it also raises regulatory, privacy, and fraud-prevention concerns, requiring coordinated efforts among regulators, financial institutions, and technology providers.

Comparative perspectives from other jurisdictions offer valuable insights. In Indonesia, Ratnawati and Budhianti (2022) conclude that online transportation services are legally protected for passengers and goods owners, even when companies operate as limited liability entities, with disputes typically resolved through consensual settlement mechanisms. In Nepal, the Supreme Court's decision in Shrestha v. Pathao dismissed a writ petition against Pathao Nepal, recognising ride-sharing as a service-based industry under the Industrial Enterprises Act. The Court directed the government to establish clear legal frameworks and monitoring mechanisms for ride-sharing platforms, emphasising consumer welfare, competition, and service quality while balancing the rights to work, entrepreneurship, and economic prosperity<sup>6</sup>

In Nepal, the digital marketplace is further regulated by the E-commerce Act, 2025, which governs online businesses and seeks to protect consumers in electronic transactions<sup>7</sup>. Under Nepal's E-Commerce Act, 2007 (2063BS), consumers are entitled to accurate product information, secure transactions, and protection against fraud. Sellers are required to disclose clear details on pricing, product features, and contractual terms, ensure data privacy, and maintain secure payment systems.

<sup>6</sup> <https://myrepublica.nagariknetwork.com/news>

<sup>7</sup> <http://rajpatra.dop.gov.np/>



Consumers have the right to seek refunds or replacements for defective or undelivered goods and to challenge unfair contract terms. The law prohibits misleading advertisements and unauthorised use of personal data, provides institutional channels for filing complaints with the Nepal Government's Department of Commerce, Consumer Protection Council, or Cyber Bureau, and prescribes penalties, including fines or imprisonment, for violations, thereby reinforcing transparency, accountability, and legal recourse in e-commerce transactions<sup>8</sup>

## Conclusion

Before the establishment of the specialised Consumer Court, consumer rights cases in Nepal were mainly handled by quasi-judicial bodies, with medical negligence addressed by the Nepal Medical Council, often limiting direct judicial access for victims. The creation of the Consumer Court in 2025 represents a major shift, allowing consumers to seek timely judicial redress, though it has also generated institutional tensions.

Nepal's consumer protection framework has strengthened through reforms such as the Consumer Protection Act, 2018, sector-specific regulations in finance and insurance, and the E-Commerce Act, 2025. While these measures have improved access to justice and regulatory oversight, challenges persist in consumer awareness, enforcement capacity, and inter-agency coordination. Addressing these gaps through consumer education, clearer institutional mandates, and stronger collaboration is essential for a robust and future-ready consumer protection system in Nepal.

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<sup>8</sup> <http://rajpatra.dop.gov.np/>



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