

Article of *Consumer Protection In UAE*

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2 EXECUTIVE SUMMARY

The Consumer protection laws in United Arab Emirates to be examined specially for amendments and under review are Federal law No. 15 of 2020 which ensures consumer rights through practice of businesses and safeguard against misleading practices by the business.

Whereas the Dubai Islamic Bank DIB fraud case is a true case of financial fraud and the Dubai Islamic Bank authorities have utilized security measures to punish culprits among the public, the UAE government ensures that its regulations are enforced legally. It was a case of embezzling US\$501 million and making corporate oversight process better in addition to installing regulatory framework to prosecute criminals.

The main solution for this issue is the complete implementation of stricter compliance measures as well as the improvement of ethical corporate leadership programs and financial literacy programs for consumers. Methods to improve detection of fraud and whistleblower defense protections to better limit financial corruption are improved.

The effective framework developed by the UAE to safeguard the consumers continues to uphold freedom of choice in the domestic market. Continuous enforcement and corporate responsibilities combined with public raising understanding and awareness of the financial area make financial surroundings remain fair and secure.

3 INTRODUCTION

Consumer protection plays a fundamental role in regulation of market, it provides the consumers' equity and provide them with the truthful information and protect them against unethical and fraudulent business conduct. This mechanism is very strong as it stabilizes the economy by having reasonable competition and insure always the market trust. Across all governments of the world, consumer protection legislations are used both to monitor the business as well as to protect the rights of the consumer in sectors such as product security and visibility of transactions and a mechanism for complaints. There are various protective legislative legal documents of the UAE which balances between business entities and customer population in its commercial sector. (Weatherill, S. (2017).

3.1 PURPOSE

The main goal behind this paper concerns the assessment of UAE consumer safety systems by reviewing a particular example scenario. The analysis of legal enforcement systems evaluates consumer rights protection measures while identifying improvement opportunities in this domain. The analysis investigates actual applications of consumer protection laws together with their effects on companies and purchasing consumers.

3.2 SCOPE

The system of this report follows three essential sections. The initial section of this report explains the UAE consumer protection policies and their operational structure alongside their intended goals and application enforcement systems. Following this introduction, the article displays a practical case that demonstrates the real-life application of these laws. A subsequent part explores how consumer protection laws were enforced along with their success in resolving the matter at hand. This paper will conclude with suggestions to improve consumer protection practices in the UAE before it ends with a summary of significant findings.

4 OVERVIEW OF LAW

4.1 FEDERAL LAW NO. 15 OF 2020 ON CONSUMER PROTECTION

Federal Law No. 15 of 2020 on Consumer Protection establishes itself as the fundamental consumer rights legislation within the UAE. The government implemented this law to provide enhanced protection to consumers by connecting consumer rights to current e-commerce practices and digital commercial developments. Consumers benefit through the law because it exposes them to fair trade standards while providing safe products together with transparent business activities. The legislation governs all business and service transactions throughout the United Arab Emirates including free economic zones as well as conventional retail combined with online retail. (Macaulay, S. (1979).

4.2 THE LEGISLATION CONTAINS ESSENTIAL ELEMENTS THAT COVER:

Under the provisions of the law consumers enjoy several protection rights which include receiving safe goods and quality products at fair prices and accurate information along with complaint handling procedures. (Al-Nusair, F. (2017)

- **Consumer Rights:** The law explicitly guarantees consumers the right to safety, quality products, fair pricing, accurate information, and access to grievance redressal mechanisms.
- **Supplier Obligations:** Businesses are required to provide clear and truthful information about their products and services, including pricing, terms of sale, and refund policies. False advertising and misleading claims are strictly prohibited.
- **E-Commerce Regulation:** With the rise of online shopping, the law includes provisions specifically addressing digital transactions, ensuring consumer rights are upheld in virtual marketplaces.
- **Dispute Resolution and Compensation:** The law empowers consumers to file complaints against fraudulent or unfair business practices and mandates businesses to provide refunds, replacements, or compensation when necessary.
- **Regulatory Oversight:** The Ministry of Economy, in collaboration with local authorities, is responsible for enforcing the law, conducting inspections, and addressing consumer grievances.

4.3 EXECUTIVE REGULATIONS (CABINET DECISION NO. 66 OF 2023)

As an implementation of Federal Law No. 15 of 2020, Cabinet Decision No. 66 of 2023 included more legislative regulations that were meant to add more details in implementing the law. According to the regulations, supplier duties are directly stated and explicitly defined and consumer rights are clearly stated together with mechanism which enforces the rules.

The Executive Regulations provide important explanations in order to implement the provisions of Federal Law No. 15 of 2020.

- **Responsibilities of the Business:** The businesses should be responsible for transparent transactions, product warranties, accountability for the defective goods or misleading advertisements.
- **Consumer Right:** If a product is defective for any reason, the consumers have the right to reject, exchange or return it within a predetermined period of time, and the company is to fulfill refunds, replacements within a timely manner.
- **E-Commerce Compliance:** The online sellers need to include terms and conditions clearly which include delivery time lines, refund policies and

contact details of the customer service. They also need to guarantee that the consumer protection standards are met on digital marketplaces.

- **Finishing of Violation:** It specifies the penalties for a business that fails to comply with the consumer protection laws such as product recall, compensation, and administrative actions.

The set of regulations establishes operational standards which guide both business entities and enforcement units during the implementation of consumer protection legislation.

4.4 AMENDMENTS (FEDERAL DECREE-LAW NO. 5 OF 2023)

The additional essential enhancements to consumer protection were made through the Federal Decree – Law No. 5 of 2023 that was implemented in the UAE. These modifications were aimed at improving the capacity of the responsible authority to regulate the commercial markets and consumer complaints.

4.4.1 KEY AMENDMENTS INCLUDE:

- **Larger Authority Granted to Consumer Protection Bodies:** The amendments allow the existing consumer protection authorities to impose administrative penalties, ensure corrective actions and monitor business more efficiently.
- **More Severe Penalties and Fines:** The amendments comprise stiffer penalties for fake practices, misleading advertising, and neglect for customer complaints in timely manners.
- **Effective Mechanism for Redressing Consumer Complaints:** The new provisions give the authorities, more easy and faster remedy for consumer complaints.
- **More Rigorously inspect the products:** Authorities would be in a better position to conduct more rigid inspections and enforce compliance with the product safety and quality standards.

The UAE has a complete legal structure in place which keeps in mind to today's economic developments and technological progress in order to have a level playing field for all customers.

5.1 CASE BACKGROUND

In UAE, the Dubai Islamic Bank (DIB) fraud scandal was one of the biggest financial frauds in UAE history that came to light in 2004 and 2007 as during the period, US\$501 million dollars were embezzled. Fake loan endorses were carried out by executive bank managers working with businessmen who stole money for their personal use. Financial schemed fraud was based on the doctored financial document along with counterfeit trade deals and improper use of credit letters that were used to channelize the unauthorized money funds.

In 2008, DIB began its own investigation into financial irregularities that became a scandal. The destruction of the bank financial stability and the breach of the consumer trust was forced by senior executives and external partners through the shady financial conduct, which had to be revealed by the authorities. This incident caused major consequences to the UAE banking sector and as a result generated numerous doubts about the financial rules and corporate governance systems.

5.2 LEGAL PROCEEDINGS

The Dubai Islamic Bank fraud case went on for long in the judicial process, from discreet arrests to formal charges and to courtroom trials. In addition to businessmen, DIB administration high level personnel were also accused in the scandal. However, the perpetrators were prosecuted by the UAE government in line with its consumer protection and fraud laws. (Mukminin, K. (2018).

There were several main components of the legal proceedings as follows:

- **Charges:** The defendants received charges under UAE law from the following statutes: criminal fraud laws, banking laws, and consumer protection statutes. The defendants were tried of three major crime categories, namely, embezzlement and financial fraud as well as forgery and abuse of official authority.
- **Trials:** The defendants were put on trial under Dubai court proceedings and legal representatives of the prosecution presented proofs of financial wrongdoings, manipulated approvals and fraudulent business deals. Comprehensive examinations of bank statements and forensic accounting

assessments as well as examination of financial audits tracked improperly disposed funds to their receivers.

- Verdict: Dubai courts found several subjects guilty of their actions and sent them to prison and were slapped with monetary penalties and loss of assets. Judiciary decisions revealed the United Arab Emirates' commitment to protecting the financial transparency and consumer protection regulations.

It was this case that proved how important financial transparency, regulatory compliance and corporate accountability are in the UAE as it continues to strive to prevent white collar criminal activity.

5.3 OUTCOMES

The incident directly affected both the banking sector as well as the Dubai Islamic Bank fraud case victims.

- Convicted Individuals: The convicted individuals were sentenced to jail sentences, and in addition were required to pay massive monetary penalties and lost all of their seized assets in order to pay the stolen funds. This legal outcome showed that the UAE has become an absolute enemy to any financial criminal activity.
- Scandal Impact on Banking Sector: The scandal had a great impact on the UAE banking sector, even though the banking sector is regulated and highly regulated, the scandal prompted reforms to enhance the regulatory reforms and stricter compliance measures and exceptional fraud detection capabilities for UAE banking industry. To improve their internal security and their risk management systems, as well as to illustrate their visibility in the loan authorization process, financial organizations had to enhance their internal security and their risk management systems.
- Consumer confidence: The scandal hit the banking system and consumer confidence was weakened but it was regained after the prompt strict legal response was affected. UAE was committed to protect banking organizations and stop unfair business operations through vigorous enforcement of fraud laws.

The Dubai Islamic Bank fraud scandal is an important case of financial misconduct in UAE territory as to why there needs to be consumer protection acts to prevent fraud. The UAE's legal actions laid down the foundations of compliance and governance as well as trust in consumers and helped in banking stability across the country.

6 RECOMMENDATIONS FOR SOLVING PROBLEMS IN THE CASE STUDY

6.1 STRENGTHENING REGULATORY OVERSIGHT

In order to prevent future similar fraud incidents, the UAE needs to improve its financial regulations. Rules regarding consumer protection will ensure that financial institutions remain transparent and are properly put against sound monitoring methods and better enforcement measures that will guarantee them. The Central Bank of the UAE, and similar regulatory bodies, need to enforce more strict audits and compliance examination to have a complete verification of financial documentation and transaction. Artificial intelligence real time fraud detection system becomes a necessity for the banking institutions to detect the malicious activities and stop unauthorized fund transfers. To motivate staff members to disclose improper activities, total whistleblower protection guidelines must be in place to prevent organizational reprisals. Severe legal consequences of extensive jail time along with large monetary fines are required for financial institutions to face to prevent fraudulent activities to an extent that they will serve as an effective prevention. (Morris, T. (2023).

6.2 ENHANCING CORPORATE GOVERNANCE

Through the Dubai Islamic Bank fraud case, large vulnerabilities were exposed in the corporate governance measures and the internal control system. It is these areas that will strengthen the prevention of future financial misconduct. Independent board dream teams must be set up by financial institutions to check financial decisions and threat management decisions from an unbiased perspective. There should be leadership that involves ethics and mandatory training modules to enhance transparency, responsibility and attempts to fight corruption throughout executive staff and employee ranks. Detailed separation of duties process is required for the process of which primary financial authorizations require multiple signatures (loan formations and funding transactions). Systematic internal financial audits should be done and it should include unscheduled inspections to enable analysts to find operational risks that are within financial operations. When the measures are strengthened into a stronger system, financial

institutions build a solid internal governance structure against fraud and financial mismanagement.

6.3 CONSUMER AWARENESS

In order to prevent financial fraud, both the consumer and the financial responsibility must be educated in a way that would prevent financial fraud. Through their social media platforms and banking applications and literacy programs, Ministry of Economy and UAE Central Bank will enable public to benefit from financial fraud risk and banking security awareness. Simplifying documents that describe customer financial responsibilities in loan and investment agreements are important for financial institutions to make their disclosure policies easier to understand. Consumer protection helplines that are dedicated to be used by customers will enable customers to report dubious transactions and get help when fraud occurs. Teaching younger students, fundamental information pertaining to stopping fraud, even protecting online financial activities and rights of the consumers will be imparted through financial literacy curriculums in educational institutions. The UAE will create knowledgeable financial consumers in the UAE who can be able to escape from fraud protection and make informed financial choices.

These recommendations will help in developing the UAE's financial security structure, protect both corporate ethics as well as the consumers and make the banking system free from fraudulent activity, which is transparent.

7 CONCLUSION

Consumer protection is necessary for market regulation as it protects the transparency and fairness, and ethical practice in business operations. The UAE's consumer protection laws are based on Federal Law No. 15 of 2020 and its subsequent amendments to ensure the protection of consumer rights and enforcement of corporate responsibility, and to ensure the market balance. By fighting financial misconduct and reinstating the faith of the consumers during the Dubai Islamic Bank fraud situation, these regulatory standards proved the importance of these regulatory standards. Through swift legal activities of enforcement, prosecution and penalties, as well as regulatory amendments, the UAE demonstrated its commitment to financial integrity and defending consumers from fraudulent dealings. Though advanced legal systems may now exist, further regulation and corporate governance, and consumer awareness is also needed. The necessary steps to stop future frauds are to increase fraud detection systems along with internal

auditors and enforce strict business misbehavior punishment. Providing people with a better understanding of financial duties and privileges, will assist with assisting people to make smart choices and shield themselves from the financial fraud attempts.

The consumer protection framework of the UAE assures the consumers of the realization of objectives of fairness and economic stability as well as the establishment of trust. However, the market must stay secure and transparent as long as enforcement measures are being regularly improved and regulatory compliance in addition to corporate responsibility measures continue. As efforts in fraud detection innovation and ethical corporate policies as well as consumer awareness programs are made by the UAE, it will remain at the forefront of financial integrity as a global leader.

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