

***TRUST AND RELIANCE—ENFORCEMENT AND COMPLIANCE:  
ENHANCING CONSUMER CONFIDENCE IN THE  
ELECTRONIC MARKETPLACE***

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## ABSTRACT

Consumers will not engage in impersonal exchange unless they either *trust* the merchant they are dealing with and believe that everything will go alright or they can comfortably *rely* on a third party to effectively afford them redress if things go wrong. Trust and reliance, which are to a large extent grounded on expected compliance and effective enforcement, are two distinct components of consumer confidence. This paper discusses why traditional bases for trust and reliance are no longer effective in the electronic marketplace. It argues that new institutions will emerge to enhance trust and reliance, namely information intermediaries and payment intermediaries, respectively. Of these two options, reliance mechanisms that can guarantee cheap and effective enforcement of consumer rights ultimately appear to be the more efficient approach to overcome the existing lack of consumer confidence.

The paper shows that some of these reliance mechanisms have developed in the market and it points out the crucial role of payment intermediaries in *every* online transaction. From a policy perspective it suggests to leverage this role and to consider addressing payment intermediaries by introducing comprehensive chargeback regimes that could guarantee effective consumer redress if something goes wrong in the transaction between a merchant and a consumer.

In their “Framework for Global Electronic Commerce” Bill Clinton and Albert Gore have emphasized that “consumers must have confidence ... that they will get what they pay for, and that recourse or redress will be available if they do not.”

Chargeback mechanisms appear to be a tool that can guarantee the latter. Therefore the paper argues that they are an approach worth pursuing in order to overcome “the global enforcement challenge” presented by the new online marketplace.