Economics, Law and Policy
ISSN 2576-2060 (Print) ISSN 2576-2052 (Online)
Vol. 8, No. 2, 2025
www.scholink.org/ojs/index.php/elp

Original Paper

Research on Consumer Rights Protection in Prepaid Consumption

Bing Liu[1]

[1] Dalian Ocean University, Dalian, Liaoning, China

Received: November 27, 2025 Accepted: December 10, 2025 Online Published: December 13, 2025

doi:10.22158/elp.v8n2p301 URL: http://dx.doi.org/10.22158/elp.v8n2p301

Abstract

Prepaid consumption is widely adopted in industries such as catering, fitness, and beauty services. While offering convenience, it places consumers at a disadvantage due to information asymmetry, making their rights to fund security, autonomous choice, and informed consent vulnerable to infringement. This paper focuses on consumer rights protection in prepaid consumption, drawing on domestic and international theoretical insights and practical experience to propose three recommendations: First, refine the relevant legal framework by clarifying the legal status of prepaid consumption contracts and strengthening the consumer rights protection system; Second, establish a comprehensive regulatory mechanism covering market entry systems, model contract templates, fund security safeguards, and credit-based oversight. Third, optimize redress channels by expanding the scope of burden of proof reversal and refining punitive damages systems. These measures aim to foster a fairer, more transparent, and secure consumer environment, effectively safeguarding legitimate consumer rights.

Keywords

Prepaid consumption, Consumer rights and interests protection, Regulatory system

1. Introduction

In recent years, with the rapid advancement of internet technology and continuous innovation in consumption patterns, prepaid consumption has emerged as a new business model, rapidly gaining popularity across numerous service industries. From annual gym memberships and beauty salon packages to educational training courses, prepaid consumption has attracted a large number of consumers with its discounted prices and convenient services. However, this seemingly "win-win" consumption model also harbors numerous problems. Due to information asymmetry, consumers often find themselves at a disadvantage in prepaid consumption arrangements, bearing more obligations and risks.

Their rights to property security, autonomous choice, and informed consent face significant threats during the subsequent fulfillment of obligations by operators. Frequent occurrences such as business closures, service downgrades, and refund difficulties not only severely undermine consumers' legitimate rights but also disrupt market order and hinder the development of the social credit system.

2. Research Hypotheses

Prepaid consumption offers significant convenience to both parties in transactions. Legal development should keep pace with economic growth. By better regulating prepaid consumption through legislation and protecting consumers' legitimate rights and interests, we can further leverage the positive role of prepaid consumption in economic development. By enhancing merchants' integrity in business operations and establishing a fair and equitable market environment, this approach will promote the sustained and healthy development of China's prepaid consumption sector while diversifying consumption patterns. This will stimulate economic growth, stabilize the market economy order, and contribute to building a socialist society governed by the rule of law and advancing the development of a social credit system.

3. Research Design

From the perspective of protecting consumer rights in prepaid consumption, this paper first defines prepaid consumption, clarifies its legal nature and characteristics, and thoroughly examines the manifestations of consumer rights violations and existing issues in China's prepaid consumption market. Subsequently, drawing on and refining relevant research experiences in consumer rights protection for prepaid consumption both domestically and internationally, it proposes recommendations for improving China's legal framework for safeguarding consumer rights in prepaid consumption. Regulating prepaid consumption through legal frameworks to safeguard consumers' legitimate rights and interests will help restore and enhance consumer confidence in the market, thereby contributing to social stability and harmony.

4. Empirical Analysis

4.1 Theoretical Overview of Prepaid Consumption

4.1.1 Definition and Characteristics of Prepaid Consumption

In recent years, prepaid consumption has rapidly gained popularity across various industries as an emerging consumption model. Academic circles generally share a consistent understanding of the concept of prepaid consumption, with no significant divergence or conflict observed. Although definitions vary slightly, they convey similar meanings. Scholar Lei Yuanzhi defines prepaid consumption as a model where consumers advance funds to operators to obtain prepaid vouchers, which they then use to acquire goods or services multiple times over a specified future period as agreed (Lei, Y. Z., 2021, pp. 78-80). Su Haopeng views it as a consumption pattern where operators collect a

predetermined amount from consumers in advance, issue vouchers of equal value, and subsequently provide products or services to consumers within the agreed timeframe (Su, H. P., 2013, pp. 1-7). Wang Jianwen defines it as a consumption model where consumers prepay a certain amount to operators. After receiving products or services as contractually agreed, operators directly deduct corresponding amounts from the prepaid funds, typically using prepaid consumption cards as vouchers (Wang, J. W., 2012, pp. 146-155). Xiong Wumin defines prepaid consumption as a scenario where consumers prepay consumption costs to operators, with both parties agreeing to enjoy products or services periodically or in installments (Xiong, W. M., 2010, p. 3).

In summary, prepaid consumption refers to a new consumption model where consumers prepay a certain amount of funds to operators as prepayments or top-ups to obtain future products, services, or benefits in installments or at scheduled intervals.

4.1.1.1 Prepaid

This is the core characteristic of prepaid consumption, which differs significantly from the common instant transaction model—where payment is made and goods are received immediately upon purchase. The key feature of prepaid consumption lies in its advance payment nature, meaning consumers must pay a certain amount to the merchant before actually enjoying the goods or services. This prepayment serves as the access credential for the consumption service and simultaneously constitutes the valid basis for establishing the consumption contract between both parties (Shi, X. Y., & Zhong, Y., 2015, pp. 42-46).

4.1.1.2 Using Prepaid Cards as the Medium

Once consumers prepay merchants, they receive a prepaid card serving as tangible proof of the transaction contract—the physical medium establishing the contractual relationship between consumer and merchant. These cards typically manifest as magnetic stripe savings cards (e.g., public transit cards) or chip-embedded cards (e.g., electricity cards, gas cards). Using these cards eliminates the need for cash or bank card payments at the point of sale, thereby enhancing the security of funds. Moreover, a significant advantage of prepaid cards lies in their rechargeable nature. When the balance is depleted, consumers can easily top up the card, greatly increasing flexibility and convenience.

4.1.1.3 Asymmetry of Rights and Obligations

In prepaid consumption arrangements, consumers often find themselves in a relatively disadvantaged position. Once prepayments are made, control over the funds transfers to the merchant, leaving consumers vulnerable to risks such as merchant default or substandard service quality. This asymmetry necessitates special legal protections for consumer rights.

4.1.1.4 Financial Nature

First, after collecting prepaid funds from consumers, merchants typically invest these funds into other business sectors to generate profits, thereby serving a financing function. Second, consumers use prepaid vouchers as substitutes for cash in transactions, demonstrating certain monetary functions such as circulation and payment capability.

4.1.2 Legal Provisions on Consumer Rights Protection in Prepaid Consumption

4.1.2.1 The Contract Section of the Civil Code Protects Consumer Rights in Prepaid Consumption

Although the Civil Code does not explicitly include a specific provision on "prepaid consumption," it incorporates a series of fundamental principles and regulations applicable to prepaid consumption contracts, thereby indirectly safeguarding consumers' legitimate rights and interests in such transactions. Notably, Article 563 in the Contracts Section enumerates several grounds for contract termination. These include situations where one party delays performance of a principal obligation and fails to perform within a reasonable period after receiving notice, or where one party's delay in performing obligations or other breaches of contract render the contract purpose unattainable. This provision offers consumers a legal basis when merchants fail to deliver promised goods or services. Additionally, Article 577 stipulates that if a party fails to perform contractual obligations or performs them in a manner inconsistent with the agreement, they shall bear liability for breach of contract, including continued performance, remedial measures, or compensation for losses. This provides a legal avenue for redress when merchants fail to deliver goods or services as agreed in prepaid consumption scenarios. Although these provisions in the Contracts Section do not explicitly mention prepaid consumption, they collectively form the foundational legal framework safeguarding consumers' legitimate rights and interests in such transactions.

4.1.2.2 The Consumer Rights Protection Law of the People's Republic of China Safeguards Consumer Rights in Prepaid Consumption

Article 2 of the Consumer Rights Protection Law of the People's Republic of China clearly defines the concept of a consumer, while also granting consumers certain legal rights and protections. Analyzing the commonalities among consumers reveals three core characteristics: First, consumers constitute a segment of society as members of the social collective. Second, from a behavioral perspective, consumers actively participate in the process of purchasing goods, using products, or enjoying services. Third, at the motivational level, consumer actions aim to satisfy personal life needs. Applying these characteristics to prepaid consumers shows they similarly belong to the social collective, engage in purchasing and using goods or services, and act primarily to meet their own life consumption needs. Prepaid consumption establishes a service contract relationship between consumers and merchants. Although payment occurs in advance, this prepayment behavior essentially constitutes a commitment and arrangement for future contract fulfillment. It remains a type of civil legal relationship, with consumers still being one of the contracting parties. This demonstrates that while prepaid consumption may be innovative in form, it fundamentally remains within the realm of consumer affairs. Furthermore, Article 53 of the Consumer Rights Protection Law stipulates: "Where an operator provides goods or services through advance payment, it shall provide them as agreed. If not provided as agreed, the operator shall either fulfill the agreement according to the consumer's request or refund the advance payment; it shall also bear the interest on the advance payment and any reasonable expenses the consumer must pay." Thus, consumers in prepaid consumption are protected under the Consumer

Rights Protection Law of the People's Republic of China.

4.1.2.3 Administrative Measures for Single-Purpose Commercial Prepaid Cards (Trial) Protect Consumers' Legitimate Rights and Interests

The Administrative Measures for Single-Purpose Commercial Prepaid Cards (Trial) is a significant regulatory framework introduced by the Ministry of Commerce in 2012. It aims to further standardize the commercial prepaid card market, particularly for single-purpose prepaid cards restricted to use within the issuing enterprise or its affiliated entities, thereby effectively safeguarding consumer rights. These measures mandate that card issuers or sellers proactively fulfill their information disclosure responsibilities at the point of sale. They must not only prominently display detailed card terms and conditions at their business premises—including but not limited to usage rules, validity periods, recharging and spending procedures, loss replacement processes, refund conditions, and any applicable service fees—but also enter into written agreements with consumers prior to card purchase. These agreements must clearly document the rights and obligations of both parties in the prepaid transaction. This agreement serves as a crucial step in ensuring consumers are fully informed. It covers quality guarantees, quantity, and pricing of services or goods; consumers' rights to request card cancellation or refunds under specific conditions; and the allocation of liability and dispute resolution mechanisms in case of breach. To achieve genuine fairness and transparency, businesses also bear the responsibility to thoroughly explain the agreement's contents to consumers, ensuring they fully understand and agree to all terms before purchasing the card. This prevents any form of information asymmetry or misleading practices. Through this institutional design, the Administrative Measures for Single-Purpose Commercial Prepaid Cards (Trial) establishes a robust framework for protecting consumer rights. It not only enhances market transparency but also strengthens oversight and constraints on prepaid card issuers, laying a solid foundation for creating a healthier, more orderly prepaid consumption environment.

4.2 Manifestations of Consumer Rights Violations in Prepaid Consumption in China and Existing Issues

4.2.1 Manifestations of Consumer Rights Violations in Prepaid Consumption in China

4.2.1.1 Operators Breaching Contracts or Disappearing Infringe Upon Consumers' Right to Property Safety

In consumer transactions, the fundamental expectation is to obtain the anticipated goods or services. Under the prepaid consumption model, this process is reversed: consumers must pay in advance before they can enjoy the goods or services (Wen, H. S., & Mao, W., 2023). Unfortunately, this model is often exploited by unscrupulous businesses as a fraudulent tactic. They promote prepaid cards or memberships through enticing sales strategies, only to abruptly cease operations and vanish once consumers' prepayments are received. For instance, Ms. Zhang purchased a two-year gym membership at a facility named "Healthy Living," prepaying RMB 5,000. The gym promised state-of-the-art equipment, diverse group classes, and professional personal training services. After several months of

use, Ms. Zhang noticed frequent coach turnover, a significant reduction in group classes, and a noticeable decline in service quality. When she requested service improvements, the gym responded with dismissive attitudes and made no tangible changes. Months later, due to a job transfer requiring her to relocate from the area, Ms. Zhang applied for a refund of her unused membership fees. However, the gym refused the refund, citing a clause in the contract stating "no refunds once sold." Shortly thereafter, the gym abruptly closed due to poor management, and its operators became unreachable. Ms. Zhang and numerous other members were unable to recover their prepayments, with the total amount involved reaching hundreds of thousands of yuan. In this case, the prepaid operator's actions violated consumers' right to property security. Their breach of contract and sudden disappearance ultimately left consumers' rights unprotected.

Even in non-fraudulent scenarios, businesses may cease operations due to poor management, restructuring, or transformation, rendering prepaid funds unrecoverable. This indirectly infringes upon consumers' right to property security and causes substantial economic losses.

4.2.1.2 Businesses Abusing Standard Form Contracts Infringe Upon Consumers' Right to Make Independent Choices

Under the prepaid consumption model, businesses often issue prepaid cards on a large scale to quickly recover funds and attract more customers. Given the high time and cost expenditures involved in individually contracting with numerous consumers, businesses typically opt for pre-set, fixed-term standard form contracts. While this approach enhances efficiency, it has also sparked extensive discussions and disputes regarding "standard terms" and even "unfair terms." These standardized contracts frequently prioritize protecting merchant interests, potentially containing unfair restrictions or exemption clauses. This undermines consumer rights to some extent, increasing consumer passivity and risk in transactions.

Merchants abuse prepaid consumption standard form contracts to infringe upon consumer rights. Instead of fully negotiating with consumers, they establish rights and obligations through vaguely worded "membership cards." While heavily promoting price discounts for consumers, these "membership cards" often restrict consumer rights. Common clauses include: "No refunds after expiration," "The store reserves final interpretation rights regarding membership cards," "Lost shopping cards will not be replaced," and "Once issued, this card is non-refundable and non-replaceable." Such standard terms limit consumers' autonomy in choice while increasing their obligations, liabilities, and risks (Xu, H. Y., 2022, pp. 88-91).

4.2.1.3 Business Operators Disclosing Consumers' Personal Information Infringes Upon Consumers' Privacy Rights and Personal Information Rights

During the process of applying for membership cards, consumers are often required by businesses to submit personal information for the creation of customer profiles, enabling personalized service experiences. However, some businesses neglect to properly manage the personal information files submitted by consumers, leading to data breaches. Furthermore, driven by the lure of substantial profits,

certain merchants violate contractual agreements by selling users' personal information for private gain, thereby infringing upon consumers' privacy rights and personal information rights (Jia, Y. W., 2022, pp. 19-21). Currently, within China's legal framework for protecting consumer privacy rights, there remains a lack of direct and comprehensive specialized legislation. Protection primarily relies on general provisions found in relevant regulations such as the Consumer Rights Protection Law and the Administrative Measures for Single-Purpose Commercial Prepaid Cards. While these existing legal documents mention safeguarding consumers' personal and property safety, their provisions regarding the definition of privacy rights, protective measures, and liability for infringement remain rather general. They fail to provide sufficiently detailed guidance and constraints, making it difficult to establish robust legal support in practice. This leaves gaps in the protection of consumers' privacy rights.

4.2.1.4 Business Operators Lacking Integrity Violate Consumers' Right to Know

The right to know empowers consumers to obtain, in accordance with legal provisions, all truthful information regarding goods they intend to purchase or use and services they intend to receive. This right forms the foundation for consumers to ensure their choices meet personal life needs, as comprehensive understanding of product or service details is a prerequisite for determining whether such offerings align with consumption demands (Wang, B., 2014, pp. 106-109). Article 8 of China's Consumer Rights Protection Law explicitly stipulates consumers' right to know. However, in actual commercial activities, some businesses, in order to attract customers, tend to employ exaggerated marketing tactics. They emphasize the alluring aspects of prepaid consumption schemes while downplaying or concealing potential flaws in goods and services. This approach stimulates consumers' purchasing desires and achieves rapid sales growth. However, many consumers, lacking sufficient legal knowledge, overlook the importance of formal written contracts during transactions. This often leaves them vulnerable to infringement of their rights without effective legal recourse. In such cases, businesses frequently circumvent strict legal obligations when fulfilling contracts, arbitrarily altering original promises or promotional claims, thereby severely violating consumers' right to know.

4.2.2 Existing Issues in Prepaid Consumption That Compromise Consumer Rights in China

4.2.2.1 Legal Regulations Protecting Consumer Rights in China's Prepaid Consumption Sector Remain Inadequate

Although the Consumer Rights Protection Law aims to safeguard consumers' legitimate rights and interests, it does not establish specific and detailed rules for the particular domain of prepaid consumption, merely mentioning it in Article 53. However, this provision faces challenges in practical implementation due to its overly general wording. Particularly problematic is the "in accordance with the agreement" principle, which proves difficult to implement in practice. Prepaid consumption contracts often lack standardization, featuring incomplete terms, unfair clauses, and sometimes no formal written contract at all. This makes it challenging to identify precise contractual terms and supporting evidence when applying the "in accordance with the agreement" principle, significantly

complicating its enforcement and rendering it virtually ineffective at times.

Prepaid consumers inherently possess all fundamental characteristics of traditional consumers. Theoretically, provisions in the Consumer Rights Protection Law regarding consumer rights, operator obligations, and liabilities should equally apply to prepaid consumption contracts. However, existing clauses predominantly focus on post-incident remedies, failing to sufficiently prioritize consumer rights protection. Concurrently, the definition of operator responsibilities lacks sufficient detail, significantly limiting the effectiveness and rigor of legal safeguards for prepaid consumers.

Specialized regulations like the "Measures for the Administration of Single-Purpose Commercial Prepaid Cards (Trial)" have played a regulatory role. These measures establish specific requirements for the issuance, usage, redemption, and related fund management of prepaid cards, aiming to regulate the single-purpose prepaid card market and protect cardholders' rights. However, the implementation effectiveness and binding force of these measures are constrained by their "trial" nature and regulatory hierarchy. This implies that their provisions may be incomplete, penalties for violations may be insufficient, and enforcement efficiency may be inadequate. Consequently, they struggle to cover all entities and behaviors within the prepaid consumption market, particularly emerging business models and new formats that leverage internet platforms for prepaid sales.

4.2.2.2 China's Regulation of Prepaid Consumption Is Inadequate

Although administrative oversight theoretically offers greater flexibility and practicality than legislation, enabling swift strategy adjustments in response to market shifts, this advantage has not been fully leveraged in China's prepaid consumption sector. Government regulatory frameworks often lag behind market developments, resulting in regulatory systems that fail to adapt promptly to market changes and creating regulatory blind spots. The traditional administrative management model prioritizes approvals while placing relatively less emphasis on oversight. Regulatory gaps emerge due to information asymmetry, policy lags, and high oversight costs. Simultaneously, unclear delineation of regulatory responsibilities leads to insufficient coordination among regulators and limited effectiveness. This is particularly evident in high-frequency incidents, where overlapping jurisdictions and ambiguous accountability become especially pronounced (Zhao, L. L., 2023, p. 78). Meanwhile, the prepaid consumption model is characterized by diversity and complexity, while government regulatory measures tend to be relatively limited, making it difficult to address various complex and emerging risks. This hinders the government's ability to effectively identify and control risks during the regulatory process, thereby exacerbating regulatory gaps.

Due to limitations in regulatory resources and capabilities, governments often struggle to respond swiftly and effectively when overseeing the vast and complex dynamics of the prepaid consumer market. This creates opportunities for some businesses to evade regulation. They exploit existing regulatory loopholes to engage in illegal and non-compliant practices—such as misappropriating prepaid funds, making exaggerated claims, and providing substandard services—while evading appropriate legal consequences. This situation not only condones unfair business practices but also

further exacerbates the risk environment inherent in the prepaid consumption model, severely undermining the legitimate rights and interests of consumers.

4.2.2.3 Challenges in Consumer Rights Protection for Prepaid Services in China

In disputes over prepaid consumption, consumers theoretically have the right to seek legal recourse, demanding that businesses fulfill contractual obligations or compensate for losses. However, in practice, most transactions rely on verbal agreements rather than formal written contracts, making it difficult for consumers to gather sufficient evidence and creating significant obstacles to legal redress. Even when consumers attempt legal proceedings, they are often deterred by lengthy litigation, cumbersome procedures, and the high burden of proof.

Moreover, individual consumers face a significant power imbalance when confronting larger, resource-rich businesses, often finding themselves in a disadvantaged position where equal dialogue is difficult. They frequently feel powerless to defend their rights. Consumers often pin their hopes on intervention by administrative regulators or industry associations for swift resolution. However, mediation by industry associations tends to be lenient, frequently concluding with consumer concessions rather than fundamental safeguards for consumer rights. As for administrative oversight, while theoretically authoritative and enforceable, regulatory mechanisms are often inadequate and responsibilities poorly defined. In practice, regulatory bodies frequently respond slowly to consumer disputes, sometimes even passing the buck. This makes it difficult for consumers to obtain timely and effective assistance.

Consumers in the prepaid consumption sector face multiple challenges, including limited avenues for rights protection, difficulties in providing evidence, weak individual bargaining power, unsatisfactory mediation outcomes, and inadequate administrative oversight.

In summary, as an increasingly prevalent lifestyle consumption model, prepaid consumption brings a series of complex issues alongside its widespread adoption. These challenges primarily manifest in the unclear delineation of rights and obligations between consumers and businesses within the prepaid model. Compounded by imperfect legal frameworks and market oversight mechanisms, this leads to a series of difficulties including business breaches of contract, consumer rights violations, privacy breaches, and consumer rights protection hurdles.

4.3 Recommendations for Improving Consumer Rights Protection in Prepaid Consumption in China

4.3.1 Improve the Legal System for Protecting Consumer Rights in Prepaid Consumption

In prepaid consumption, the vulnerability of consumer rights to infringement is a prominent issue. This stems largely from the fact that existing laws and regulations, such as the Civil Code and the Consumer Rights Protection Law, provide only general principles regarding prepaid consumption contracts. Furthermore, the few relevant departmental rules and regulations are rather vague and lack specific operational details. Therefore, strengthening and improving the legal framework within the prepaid consumption sector has become both an urgent and critical task for effectively safeguarding consumer rights.

4.3.1.1 Clarify the Legal Status of Prepaid Consumer Contracts

The Contract Section of China's Civil Code stipulates nineteen types of typical contracts, including sales contracts and gift contracts. Prepaid consumption contracts are not included among them. Therefore, prepaid consumption contracts must be governed by the general provisions of the Contract Section of the Civil Code as unnamed contracts. Specific implementation details and the delineation of rights and obligations lack explicit provisions. To effectively safeguard consumers' legitimate rights and interests through a sound legal framework for prepaid consumption, the primary step is to establish the clear legal status of prepaid consumption contracts.

Some scholars contend that although prepaid consumption represents a novel consumption model distinct from traditional immediate payment consumption, prepaid consumption contracts essentially fall within the category of sales contracts. They argue that there is no need to treat prepaid consumption contracts as an independent contract type, but rather they can be thoroughly explored and regulated as a special case within sales contracts. However, compared to traditional sales contracts, prepaid consumption contracts involve more complex legal relationships that cannot be fully encompassed by the existing legal framework for sales contracts. In practice, defining the nature of prepaid funds—such as whether they constitute a deposit, advance payment, or guarantee for service commitments—often poses legal challenges, highlighting the distinctions between prepaid consumption contracts and standard sales contracts. Therefore, categorizing prepaid consumption contracts merely as a subcategory of sales contracts may prove insufficient to address their unique legal issues and challenges.

Therefore, we should transform prepayment consumption contracts from non-standard contracts into standard contracts. A separate chapter should be established for prepayment consumption contracts, clearly defining their characteristics, legal nature, classification, and the rights and obligations of the parties involved. Mandatory regulations should be employed to protect the legitimate interests of both parties, thereby clarifying the legal status of prepayment consumption contracts.

4.3.1.2 Improve the Consumer Rights Protection System

In prepaid consumption, consumers invariably find themselves in a disadvantaged position relative to operators. Following the Civil Code's clarification of the legal status of prepaid consumption contracts, to further strengthen consumer protection in such transactions, specific provisions targeting prepaid consumption could be added or refined within the Consumer Rights Protection Law of the People's Republic of China. This would achieve more comprehensive and preferential safeguards.

First, safeguarding consumers' right to property security must be prioritized. This entails establishing clear oversight mechanisms for funds in prepaid consumption, creating dedicated escrow accounts or third-party custodians. Businesses should be required to deposit a portion of prepaid funds into these accounts to prevent arbitrary diversion of consumer prepayments and ensure capital security. Introducing commercial insurance would further protect consumer prepayments, enabling compensation through insurers should businesses fail to fulfill service commitments.

Second, some operators in prepaid consumption, seeking rapid capital turnover and customer attraction, often rely on pre-formatted standard-form contracts. The non-refundable balance clauses within these contracts significantly restrict consumers' autonomy and may constitute coercive transactions (Zheng, L., & Xiong, Y., 2012, pp. 21-24). To fully safeguard the autonomy of prepaid consumers, they should be granted the right to unilaterally terminate contracts. Article 563 of the Civil Code provides the legal basis for terminating general contracts, but given the unique nature of prepaid consumption contracts, relevant provisions should be explicitly refined. Therefore, the law should explicitly state that during the validity period of a prepaid consumption contract, consumers have the right to unilaterally terminate the contract based on personal will. Particularly when a consumer refuses to continue receiving services, this should be deemed as the contract losing the prerequisite for continued performance. This measure ensures consumers' autonomy in decision-making during contract execution, deepening and implementing the principle of freedom of contract.

Additionally, compared to the operator's dominant position in controlling information, greater emphasis should be placed on protecting the personal privacy rights of prepaid consumers who are in a disadvantaged position. Primarily, the scope and boundaries of protecting prepaid consumers' personal information must be defined. This includes not only basic personal information but also details related to prepaid card usage, balance status, consumption history, associated device information, and payment methods. Second, prepaid consumers have the right to know how operators collect and use their information, and operators must obtain explicit consumer consent before performing such operations. To this end, legislation must explicitly stipulate operators' confidentiality obligations and mandate the inclusion of confidentiality clauses in contracts for any transaction involving the processing of consumer personal information. These clauses must detail the operator's confidentiality responsibilities, the specific confidentiality measures implemented, and the concrete legal consequences of breaching confidentiality obligations. This ensures consumers' information security and privacy receive full protection within the legal framework.

Ultimately, the very premise of prepaid consumption rests on consumers' high trust in merchants when making advance payments. This model inherently involves long-term contractual commitments. However, as time progresses, information asymmetry between consumers and operators intensifies, making it crucial to deepen consumers' right to know. This requires not only access to basic details about goods or services, but also extends to fundamental information about the business's operations and any changes that may impact consumers' transactions—provided such information does not constitute trade secrets. Furthermore, since consumers' right to know in prepaid consumption is dynamic, the information they require should also be dynamic, covering the period from the signing of the consumption contract until its complete fulfillment.

4.3.2 Establishing a Regulatory Model for Consumer Rights Protection in Prepaid Consumption

Establishing a regulatory framework for protecting consumer rights in prepaid consumption is a comprehensive process. It manifests in four key areas: market entry systems, model contract templates,

financial safeguards, and credit-based oversight. These elements collectively ensure end-to-end supervision of prepaid consumption practices to safeguard consumers' legitimate rights and interests.

4.3.2.1 Establish a Prepaid Consumption Access System

The prepaid card issuance approval process, as the primary link in the regulatory chain for prepaid consumption, holds undeniable significance. A rigorous issuance approval mechanism acts as a screening net, effectively blocking enterprises with inadequate qualifications or poor credit from entering the market. This ensures that only operators who have undergone strict scrutiny and possess strong risk-bearing capacity and sufficient solvency can obtain the qualification to issue prepaid cards. This step forms the foundation for building a secure prepaid consumption environment, playing a vital role in safeguarding consumer rights and promoting healthy market development.

Under China's current legal framework, the issuance of multi-purpose prepaid cards requires approval from the People's Bank of China, while single-purpose prepaid cards fall under the supervision of the Ministry of Commerce. Relevant management measures stipulate requirements for issuers' qualifications, filing timelines, and necessary documentation. However, existing regulations still lack specifics regarding the application procedures for card issuance qualifications and the review methods of competent authorities. This results in difficulties in comprehensively addressing the complex situations of various card issuers in practice, particularly the diverse prepaid card issuance needs of enterprises of different scales. The legal norms appear rather brief and insufficient to address all practical challenges.

Therefore, establishing a comprehensive and meticulous issuance approval mechanism is particularly urgent, aimed at rigorously screening card issuers to enhance the integrity and financial performance capabilities of the prepaid consumption industry. Specific strategies should include: When applying for an issuance license, card issuers must submit a comprehensive application report to the regulatory authority. This report must detail the company's basic information, such as its name, credit status, business scope, and registered capital, along with its prepaid card issuance plan, including the planned number, total amount, and types of cards to be issued. Competent authorities must conduct thorough, substantive reviews of applications to ensure compliance with all statutory standards, followed by registration through legal procedures. Crucially, registration information should be publicly disclosed to broaden consumer access to data, empowering them to make informed choices. This approach effectively mitigates financial loss risks, curbs fraudulent activities, and fosters a secure and reliable consumer environment.

4.3.2.2 Model Contract for Prepaid Consumption

In prepaid consumption, certain standard terms set by merchants often place consumers at a disadvantage. It is essential to restrict the application of standard terms in prepaid consumption contracts, prevent the abuse of such terms, and standardize model texts for prepaid consumption contracts. Taiwan region's Regulations on Matters to Be Included and Prohibited in Standardized Contracts for Commodity (Service) Vouchers specifically targets standard clauses in prepaid

consumption contracts. It enumerates eight prohibited clauses tailored to address prominent issues in market practice and the unique characteristics of such contracts. These provisions are highly targeted and practical, aiming to shield consumers from unfair contract terms. Therefore, China can draw upon these provisions to regulate the use of standard clauses in prepaid consumption contracts. This includes promoting standardized contract terms, strengthening oversight and regulation of standard contracts, enhancing operators' credit ratings and guarantee requirements, and encouraging greater participation from financial institutions like banks in the supervision and services related to prepaid consumption (Zhao, L. L., 2024).

4.3.2.3 Safeguarding Funds in Prepaid Consumption

In prepaid consumption, instances of merchants absconding with funds occur frequently, infringing upon consumers' property rights. Therefore, regulatory oversight of prepaid funds must be strengthened to safeguard capital security in such transactions. A risk guarantee fund system should be established, mandating operators to pre-deposit a specified percentage of funds with regulatory authorities. This ensures immediate compensation for consumers' legitimate rights should businesses suddenly cease operations or abscond. Additionally, building a robust debt fulfillment guarantee mechanism is crucial for the prepaid consumption market, involving the creation of an effective guarantee system. Specific implementation plans could explore involving third-party guarantee companies or establishing a dedicated prepaid consumption guarantee fund to provide robust protection for consumer prepayments. Building upon this foundation, supervision and review of participating guarantee institutions should be strengthened to ensure their capital adequacy ratios and guarantee effectiveness are authentic and reliable, thereby maintaining the stability of the prepaid consumption market and consumer confidence.

4.3.2.4 Establish an Effective Credit Supervision Mechanism

Due to the lack of an effective credit supervision mechanism, some businesses may exploit the prepaid consumption model to engage in fraudulent activities. It is imperative to establish and improve a robust credit supervision mechanism to impose severe penalties on dishonest merchants (Liu, T. Y., 2021, pp. 138-140). During the regulatory process, a comprehensive oversight chain should be established to cover the entire operational lifecycle of market entities, encompassing preemptive prevention, mid-term monitoring, and post-incident handling. This chain integrates multiple measures such as credit assessment, continuous supervision, and penalties for dishonesty to ensure merchant compliance while fully protecting consumer rights. First, implement a tiered credit classification management system: Based on existing laws, regulations, and local rules, industry regulators at all levels should incorporate prepaid consumption activities into their credit management frameworks, implementing stratified classification management of business credit. This approach not only expands the application scope of credit systems but also promotes the practical use of credit evaluation results in regulatory scenarios. Second, promote transparency in industry integrity commitments: Collaborate with industry associations and societal resources to encourage prepaid service providers to publicly pledge honest

operations. Simultaneously, issue risk warnings for prepaid top-ups to guide consumers toward rational recharging, fostering a market atmosphere of integrity. Finally, clarify and strengthen operator responsibilities: Enhance the disclosure of credit information for prepaid consumption operators, including service evaluations and customer complaint records, to improve transparency. By analyzing complaint hotspots and issues within the prepaid consumption sector, promptly identify emerging risks. Utilize cross-departmental rapid response mechanisms to effectively prevent and resolve potential problems, thereby safeguarding market order and social stability.

4.3.3 Improving Consumer Remedies in Prepaid Consumption

Currently, the consumer rights protection mechanism in China's prepaid consumption market remains inadequate. When facing infringement, consumers often encounter difficulties in filing lawsuits and providing evidence, significantly increasing the cost of seeking redress through judicial channels. To ensure consumers can effectively exercise their right to sue and maximize judicial fairness, it is imperative to improve existing consumer rights remedies.

4.3.3.1 Expand the Application of the Reversal of the Burden of Proof

According to Article 64 of the Civil Procedure Law of the People's Republic of China, it is evident that China generally adopts the principle of "he who asserts must prove" in civil litigation. However, this burden of proof is highly disadvantageous to consumers in prepaid consumption arrangements, who are often in a disadvantaged position. They frequently face greater risks of losing lawsuits due to an inability to meet the burden of proof. Therefore, the application of the reversal of the burden of proof should be expanded in the field of prepaid consumption to meet the needs of redressing the rights of prepaid consumers. Business operators bear the responsibility to clearly present and explain the terms of their standard form contracts to consumers. This is a fundamental requirement for ensuring transaction transparency and fairness. In the event of a consumer dispute, particularly concerning the validity of standard form clauses, the burden of proof should rest with the business operator to demonstrate that they fully fulfilled their duty to disclose and explain the terms during the contract formation stage. Similarly, in cases involving the leakage of consumer personal information, operators must also demonstrate that they have implemented reasonable protective measures to safeguard such data. By imposing a heavier burden of proof on operators in prepaid consumption disputes, we can not only effectively deter potential unfair commercial practices but also promote a balanced distribution of rights and obligations between parties. This approach provides stronger judicial protection for prepaid consumers and ensures a fair and reasonable dispute resolution mechanism.

4.3.3.2 Improve the Punitive Damages System

Article 55 of the Consumer Rights Protection Law of the People's Republic of China stipulates that when operators engage in fraudulent conduct, they shall compensate consumers for their losses at the consumers' request. However, it does not explicitly establish the principle of punitive damages in the prepaid services sector. Moreover, the prerequisite for compensation under this provision is the operator's fraudulent conduct, which is clearly insufficient to protect consumers' legitimate rights and

interests in prepaid consumption. Compensation standards exceeding actual losses should be established based on factors such as the severity of the merchant's fault, the extent of consumer harm, and societal impact. This would increase the cost of illegal conduct and effectively deter unscrupulous operators. Furthermore, the scope of application should be broadened beyond fraud. Serious violations of consumer rights—such as gross breaches of contract, intentional concealment of critical information, or provision of false advertising—should also fall under the purview of punitive damages.

4.3.3.3 Improve the Dispute Resolution Mechanism

First, establish a Prepaid Consumption Dispute Mediation Center as the primary platform for resolving disputes between consumers and businesses. This center should be staffed with a mediation team comprising experts from multiple fields, including law, commercial mediation, and psychology, to ensure the professionalism and impartiality of the mediation process. This will enable swift and fair resolution of disputes between consumers and businesses, reduce the cost of consumer rights protection, and enhance the efficiency of dispute resolution. Second, optimize court litigation procedures by establishing a fast-track system for small-value prepaid consumption disputes. This system should provide convenient case filing services, allowing consumers to swiftly submit lawsuit materials through an online filing system, thereby reducing on-site waiting times. Cases will be assigned to judges specializing in small claims, processed under simplified procedures to minimize unnecessary court formalities and accelerate adjudication. Judges will issue rulings within a short timeframe to ensure consumers receive timely legal remedies. Furthermore, the expedited small claims channel will establish a corresponding enforcement mechanism to ensure court judgments are swiftly executed, effectively protecting consumer rights. By establishing specialized mediation bodies and streamlining small claims procedures, an efficient and convenient dispute resolution system for prepaid consumption can be built. This will effectively alleviate the difficulties consumers face in protecting their rights and promote the healthy development of the market.

5. Conclusion

In recent years, prepaid cards have gained significant favor among merchants due to their ability to accelerate cash flow and stabilize customer bases. They have also attracted numerous consumers through advertised promotional benefits. Unlike traditional instant-exchange consumption models, prepaid consumption innovatively separates monetary payment from goods acquisition. Particularly in recent years, with the integration of internet third-party platforms and mobile payment technologies, this model has further evolved, showcasing a new consumption form that merges online and offline channels. This signals immense development potential and expansion space within the prepaid consumption sector. However, due to incomplete laws and regulations in China, inadequate oversight of prepaid consumption, and difficulties for consumers in protecting their rights, operators in this sector face insufficient constraints. This has led to violations of consumers' legitimate rights and interests, including the right to property security, freedom of choice, personal privacy, and the right to know.

This thesis focuses on safeguarding consumers' legitimate rights and interests in prepaid consumption. drawing on consumer protection experiences from the United States and Japan. It proposes optimizing the legal framework for consumer rights protection by clarifying the legal status of prepaid consumption contracts and strengthening special protective measures for consumers. A regulatory model for consumer rights protection is constructed through establishing an access system for prepaid consumption, standardizing contract texts, and implementing effective credit supervision mechanisms. and by enhancing redress avenues for consumers through the introduction of a reversal of the burden of proof in prepaid consumption cases and the refinement of compensation mechanisms. These three measures form the basis for recommendations to improve consumer rights protection in China's prepaid consumption sector. It is hoped that these measures will better safeguard the legitimate rights and interests of consumers in prepaid consumption, promote the stability of China's prepaid consumption market order, thereby contributing to the sound operation of the market and supporting economic development.

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