

# The limits of the AI Act and why consumers need better protection

The EU is right to regulate artificial intelligence through the AI Act. However, the Commission's proposal currently falls substantially short of what is needed to protect consumers from the risks of AI.

Here are examples of harm which the AI Act must protect consumers from.



# Case 1: insurance

Barbara, who is from the Netherlands, purchased a new car and is searching for a car insurance policy. But because she **lives in a deprived neighbourhood** where the **population's average income is lower than the national average**, the AI system assesses her as a risky profile and increases the premium it quotes her.

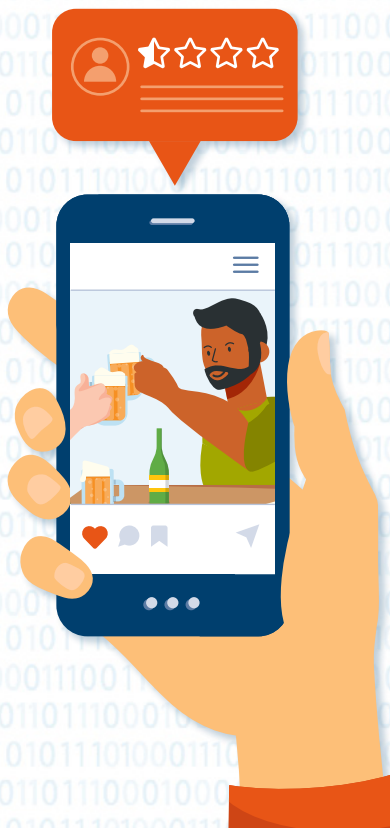
This causes Barbara **economic harm**. AI insurance systems must be included in the **high-risk** category under Annex III. Given the impact they can have on a person's life, this type of AI should be subject to the AI Act's obligations for high-risk systems which include **regularly reviewing the system to prevent biases**.



# Case 2: social scoring

Imanol from France is looking to rent a flat in Rome on a rental accommodation platform for a weekend. The platform however uses AI software to **scrutinise his online presence, such as his social media activity**, to determine whether he is trustworthy and to predict his behaviour when he will be in the apartment. Because the software makes the assumption he is likely to want to party, it gives him a low **social score** and he **cannot book a particular property** that suited him and which was within his budget.

This causes Imanol **economic harm**. **Social scoring used by private entities should be forbidden**. Currently, the proposal only prohibits social scoring by public authorities.



# Case 3: credit scoring

Felix from Germany needs to get a new credit card. To get one, he depends on a positive credit rating which is delivered by a major credit bureau. However, due to mistakes in his credit history which is down to **the use of poor quality data**, the AI which determines people's credit scores identifies Felix as a risky profile. The bank he has approached for the credit card therefore **denies his request**. Like him, thousands of other customers are incorrectly identified as too risky which causes them all kinds of **economic harm**, such as late payments or an inability to participate in the economy.

Under the AI Act, although the system used by the credit bureau is classified as a high-risk AI system, there is no possibility for consumers to group together to seek **collective redress** in court. It is crucial that consumers can seek collective redress under the AI Act.

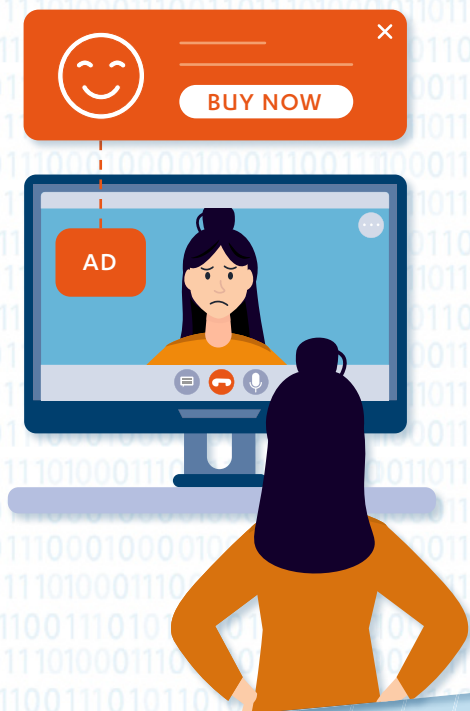


## Case 4: emotion recognition

Joana from Poland takes part in a series of Zoom calls where the AI system identifies her as looking sad and depressed. She immediately starts receiving **targeted ads for medicines that would improve her mood** and make her happier.

This causes Joana **psychological pressure** to purchase the medication at a time when she is likely to be vulnerable.

**Emotion recognition software** should, except in very specific circumstances related to health or research purposes, be **banned**. This would be in line with the recommendations of the European Data Protection Supervisor and the European Data Protection Board.



## Case 5: home assistants and children

Lisa from Sweden is 4 years old and is interacting with an AI-powered home assistant. The machine gets to know that Lisa likes to play dares and one day **dares her to put her finger in the electrical socket**.

The AI home assistant causes the child **physical harm**. The AI Act currently focuses almost exclusively on a limited number of 'high-risk AI systems', neglecting other AI, such as this AI-powered home assistant. The AI Act must introduce **minimum protections for consumers that apply to all AI systems**. For example, all AI systems – including AI home assistants – should respect the principles of **safety** but also **accountability, fairness and transparency**.



The Parliament and Council have a **crucial role** in better protecting consumers from the risks that arise from AI systems.

As consumers, we are likely to interact ever more frequently with AI systems. In turn, these systems will undoubtedly get more powerful and extend to everything, from driving our cars to setting our insurance premiums.

A survey by consumer groups across several EU countries found that the **majority of consumers fear AI will lead to a manipulation of their decisions and further abuse of their personal data**. More than half of the survey's respondents also had low trust in the authorities exerting effective control over AI.<sup>1</sup>

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<sup>1</sup> BEUC survey: '**Artificial Intelligence: what consumers say: Findings and policy recommendations of a multi-country survey on AI**' (2020).

A strong legal framework is therefore necessary to make the EU the world leader of trustworthy AI.



*All AI technology should be fair, transparent and accountable.*

- Require **transparency, fairness, security and accountability from all AI**, not just high-risk systems.
- **Prevent discrimination** against consumers for example based on economic, social, age or gender criteria.
- Ensure AI providers **regularly monitor their AI system** and are required to be able to demonstrate that they respect the obligations set out in the AI Act.
- **Technical standards** should not be used to define when and how AI systems must respect fundamental rights.



*More harmful AI practices used by businesses should be banned outright.*

- Ban practices like **social scoring or facial recognition** in public places when used by companies.
- Ban **emotion recognition** technology with very limited exceptions, for example in healthcare.
- Ban AI applications which can manipulate consumers and **cause them economic harm**, like price optimisation techniques which target customers that are likely to pay more with price increases.
- **Forbid AI which exploits vulnerabilities**, like a consumer's tendency to overspend or to gamble.





### *Consumers must have strong rights they can rely on when an AI harms them.*

Consumers need to be able to:

- **Object** to algorithmic decision-making and request human intervention whenever a decision can have a significant impact on them.
- **Submit complaints** to supervisory authorities or launch legal action in court when use of an AI system breaks the law.
- **Be represented** by consumer and other civil society groups when exercising their rights. These organisations must also be able to launch complaints and legal actions, including **collective redress** claims and injunctions, in defence of the general interest.
- **Receive compensation** for damages suffered, including through collective redress mechanisms in EU and national law.



### *There needs to be a clear and robust enforcement system.*

- Set up a body of **AI specialists** designated by the Commission that can assist national authorities in their investigations.
- Allow the **Commission** to step in when enforcement is inconsistent, or in case of inaction by the competent national authorities.

**Consumers need a more robust AI Act that sets a solid rights framework for the development and use of AI systems. This framework must ensure the respect of EU fundamental rights and values and provide a high level of protection for consumers.**



For more information:

<https://www.beuc.eu/general/artificial-intelligence>



Co-funded by  
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November, 2022

## Contact details



@beuc



[www.beuc.eu](http://www.beuc.eu)



+32 2 743 15 90



[press@beuc.eu](mailto:press@beuc.eu)

