Proceedings of the 4th International Conference on Global Politics and Socio-Humanities
DOI: 10.54254/2753-7048/2026.34208

# *Practical Challenges and Improvement Strategies for Consumer Rights Protection in Prepaid Consumption*

**Shiyu Zhou**

*Department of Low, Ocean University of China, Qingdao, China*
*yvonne.zsy@qq.com*

***Abstract.*** As Prepaid consumption is now very common. Merchants prefer to promote, and consumers also buy in - after all, discounts are available. At first glance, neither side is losing.But the problem lies in the "pay first, enjoy later" model. After you have paid the money, whether you can smoothly consume and when to consume depends entirely on the reliability of the merchant. Unfortunately, the law has not kept up and the provisions to protect consumers are insufficient. Some merchants set traps in contracts, using standard terms to restrict card refunds and transfers, and consumers are often powerless in case of disputes. As for the regulatory authorities, they each have their own responsibilities and cannot form a joint force.So, to truly protect consumers' wallets, we need to do a few practical things. Firstly, the system of performance bond must be established uniformly. Secondly, the regulatory mechanism needs to be unified. Furthermore, before the merchant collects payment, the information must be clearly stated and cannot be concealed.Ultimately, the supervision mechanism needs to be strong, and credit evaluation needs to keep up. Only in this way can the pain points of prepaid consumption be gradually resolved, and the market can also move steadily and far.

***Keywords:*** prepaid consumption, consumer rights protection, right of withdrawal, standard form contracts, administrative supervision

## 1. Introduction

In recent years, the number of disputes involving prepaid consumption has continued to rise, making it a "hotbed" for consumer right violations.Taking a "professional store closer " case as an example, defendants such as Zheng Mou Shun formed a specialized "store-closing" team. In recent years, disputes caused by prepaid consumption have continued to rise, becoming a "disaster area" in the field of consumer rights protection. The gang wandered around in search of shops for transfer, and after taking over, they launched false promotions such as "anniversary recharge and draw big prizes" and "cashback" as bait to attract consumers to recharge in large quantities. Once the advance payment was received, they quickly closed the store and fled with the money, defrauding a total of over 1.46 million yuan. In the end, the court sentenced the defendant to imprisonment and a fine for fraud [1]. All the worst forms of infringement in prepaid consumption was exposed in this case. A group of 'professional gatekeepers' came for money, targeting the loopholes in the prepaid model. In their eyes, cheating consumers out of their prepaid deposits is like taking candy from a baby. It's

© 2026 The Authors. This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (https://creativecommons.org/licenses/by/4.0/).

DOI: 10.54254/2753-7048/2026.34208

hard to justify not taking the protection of consumer rights seriously at this point. This not only violates the property rights of consumers, but also involves criminal offenses, highlighting the urgency and necessity of protecting the rights and interests of prepaid consumers.

To meet the needs of judicial practice, the Supreme People's Court issued the "Provisions on Several Issues Concerning the Application of Law in the Trial of Civil Disputes Involving Prepaid Consumption" (hereinafter referred to as the "Provisions") in March 2025, establishing multiple consumer protection mechanisms such as the right to withdraw, statutory termination rights, and punitive damages claims, providing standardized bases and operational guidance for the adjudication of related cases. However, from the actual operation of the market, the challenges in consumer rights protection within the prepaid consumption sector have not been fundamentally resolved. Issues such as the limited effectiveness of current rules, low costs for operators' violations, and insufficient coordination in administrative supervision remain prominent.

Regarding this field, scholars both domestically and internationally have already achieved preliminary results. Among foreign countries, the United States, as a major consumer market, was the first to adopt prepaid cards; However, it has not implemented a unified prepaid card law, but relies on a large number of regulations at various levels of the federal and state governments to regulate the market from multiple perspectives through hierarchical supervision and information disclosure. In contrast, the Japanese government has enacted a series of legal provisions, the most core of which is the "Fund Settlement Law". This law mainly designs six major systems to clearly state what operators should and should not do, in order to ensure that contracts in prepaid consumption can be truly fulfilled. In China, however, a consistent definition of prepaid consumption has yet to be established, and no specific laws targeting prepaid consumption have been enacted.In response, some scholars have proposed a public-private partnership regulatory model for prepaid consumption, which provides credit support and rights protection for all participants to solve the current problems of fragmented and regional regulation; Regarding the regulation of operator behavior, specific measures include establishing a strict examination and licensing system for operators [2] and a deposit system [3], which means conducting substantive audits of operator qualifications before issuing prepaid cards, and at the same time constraining operators from arbitrarily misappropriating prepaid funds through deposits during the operation stage. In addition, the division of departmental responsibilities should be optimized. The administrative supervision system should be led by the competent commerce department and coordinated by the industry and commerce, financial supervision and other departments to establish a clear hierarchy of primary and secondary administrative supervision [4].

From existing research, most scholars tend to regulate through specialized legislation, but the process of drafting and introducing new laws is complex and time-consuming, and the feasibility and effectiveness are not ideal in reality. Therefore, a relatively safe path is to revise and supplement existing provisions within the framework of higher-level laws such as the Civil Code and the Consumer Rights Protection Law (hereinafter referred to as the Consumer Protection Law). The strict approval mechanism advocated by the scholars is somewhat stringent, which not only raises law enforcement costs but also increases the compliance burden on operators, making it difficult to implement in practical operations. At the administrative supervision level, the most feasible solution at present is to establish a joint supervision mechanism and designate administrative supervision departments; However, the plan is still in the preliminary planning stage and lacks detailed regulations on how to coordinate the actions of all parties and reasonable division of labor among relevant departments.In response to the above issues, this paper explores from three dimensions:

DOI: 10.54254/2753-7048/2026.34208

consumers' statutory rights, regulatory regulations for operators, and market supervision mechanisms.

## 2. Regulatory analysis of consumer rights protection in prepaid consumption

### 2.1. Review of regulatory provisions on consumer rights protection in prepaid consumption

First, Article 53 of the Consumer Rights Protection Law stipulates: "Where an operator provides goods or services through advance payment, it shall provide them in accordance with the agreement. If the goods or services are not provided as agreed, the operator shall fulfill the agreement as requested by the consumer or refund the advance payment; it shall also bear the interest on the advance payment and any reasonable expenses that the consumer must pay."This provision delineates the legal liabilities tied to prepaid consumption and,at present,remains the sole extant legal rule directed specifically to that issue; even so,its operational force in actual application has been rather constrained,largely because the text is excessively general and not readily translatable into workable enforcement standards. Thereafter,the "Measures," promulgated and brought into effect by the Ministry of Commerce,emerged as the most systematized legal-regulatory instrument presently governing prepaid consumption in China. At the center of that instrument lies regulation of prepaid card issuance,together with the safeguarding of enterprise-held funds,specifically within the retail,accommodation and catering,and residential services sectors. Structurally,the "Measures" put in place a core regulatory scheme organized around filing requirements,real-name registration,spending ceilings,non-cash transactions,and fund custody,the evident aim being risk prevention and the protection of consumer rights. Yet a constraint appears immediately: issuers are limited under the "Measures" to corporate entities,whereas China's prepaid consumption market is,in practice,largely occupied by non-corporate entities and individual operators; for that reason,the regulatory efficacy of these provisions has remained,to a certain extent,circumscribed.

It was not until 2021 that China formally implemented the civil code. Although there are no special provisions on prepaid consumption in the code, and the 15 typical contractual relationships listed in the contract series are difficult to effectively deal with the judicial practice of prepaid consumption, the rules on contract breach and rescission, such as the liability for fault in contracting, the liability for breach of contract and the principle of change of circumstances, provide a general civil legal basis for the settlement of disputes over prepaid consumption, and complement the special norms. In 2024, the judicial committee of the Supreme People's court passed the interpretation, giving consumers four exclusive rights in the context of prepaid consumption: the right to withdraw, the right to statutory rescission, the right to claim punitive damages, and the right to claim the invalidity of unreasonable format clauses, so as to supplement the gaps in the prepaid consumption contract in the civil code, and strengthen the supervision of prepaid consumption under the framework of the consumer rights and interests protection law.

At present, China has only set up a preliminary legal framework for prepaid consumption, which is still far from perfection. Specifically, the consumer rights and interests protection law only makes principled provisions, which is not easy to operate when it is really used; Although the administrative measures issued by the Ministry of Commerce has designed such systems as filing and capital custody to regulate the safety of funds and the compliance of operators, it is only applicable to enterprise legal persons, and a large number of self-employed businesses in the market are not covered at all, leaving an obvious regulatory blind spot; The civil code relies on the general rules in the contract part to provide civil basis for dispute resolution, and there is no special provision for the typical contract of prepaid consumption; The judicial interpretation issued in 2024

DOI: 10.54254/2753-7048/2026.34208

is a step forward, adding new rights such as withdrawal right and punitive damages, filling some institutional gaps and strengthening the protection of consumers.Generally speaking, the current laws and regulations have set up a multi-level rule system, but the absence of superior laws, incomplete regulatory coverage, and poor connection between the norms are still some problems. If we really want to solve the practical problems of operators running away and consumers' difficulty in refunding, the governance effect needs to be further improved.

## 2.2. Specific provisions on consumer rights in relevant regulations

Based on the transactional characteristics of prepaid consumption and current legal provisions, consumers in prepaid consumption enjoy two categories of rights: fundamental civil rights and special statutory rights, forming a comprehensive rights system.

On the one hand, in terms of basic civil rights, consumers enjoy the core rights stipulated in the consumer protection law, which are closely related to the transaction scenario of prepaid consumption. These rights can be divided into four categories: the right to information - according to the principle of informed consent, consumers have the right to know all the details of the transaction; In the aforementioned case, the "professional store-closer" deceived consumers by means of false recharge promotion, which officially violated the right to know. Right to Autonomous Choice - according to the principle of autonomy of will, consumers have the right to decide whether to participate in prepaid consumption according to their own wishes. Operators shall not force consumers to sign contracts by means of high-pressure marketing or bundled sales, nor restrict consumers' choices through standard terms. Right to Fair Trading - according to the principle of fairness, consumers have the right to obtain goods or services commensurate with the amount of their advance payment. Right to Compensation According to Law - if the operator violates the contract or commits fraud and causes losses to consumers, consumers have the right to claim compensation to safeguard their property rights, which reflects the principle of tort liability in the civil law.

On the other hand, in the area of special legal rights, the introduction of the interpretation has filled the gap of the Civil Adjudication Rules for prepaid consumption and set up a multi-level framework of relief rights. Specifically: first, a seven day no reason refund right has been set up. Consumers can ask operators to return the principal of the advance payment within seven days after payment, without giving reasons. This is tantamount to setting up a "cooling off period" for consumers, which is mainly aimed at those who are fooled by high-pressure marketing or false promotion to get cards and sign contracts, so that the freedom of contracting is no longer an empty word. Second, the legal right to rescind is refined, and three situations in which consumers can unilaterally rescind the contract are clarified: the operator has changed the business place, causing obvious inconvenience, transferring the contractual obligations to others without authorization, and failing to fulfill the promise of unlimited services. At the same time, consumers are also allowed to apply to the court for termination of the contract on the grounds of major changes in basic conditions such as health, which takes into account the breach of contract by operators and the special circumstances of consumers themselves. Third, the right of punitive damages has been established, aiming at those unscrupulous operators who maliciously evade refunds after closing their stores. Consumers can claim punitive damages and strengthen the constraint on malicious breach of contract. Fourth, it denies the validity of illegal standard terms and prevents operators from using the "overlord clause" in standard contracts to trick consumers.

However, in practice, the rights stipulated in laws and regulations often remain on paper, with little effect. The four rights at the level of basic civil rights cover the basic transaction needs of

DOI: 10.54254/2753-7048/2026.34208

prepaid consumption, but in fact these rights are difficult to be effectively guaranteed: violations of the right to know, such as operators' concealment of business conditions or false advertising, are widespread, and regulatory enforcement and evidence collection are extremely challenging; The infringement of the right of free choice, such as bundling sales and compulsory contracts, lacks effective constraints; Businesses arbitrarily reduce service standards or directly close down business, which directly leads to the virtual existence of the right to fair trade; As for the right to claim damages, consumers are often unable to obtain compensation and realize their rights due to operators' transfer of assets or malicious departure from the regulatory system. At the level of special legal rights, there are also significant implementation obstacles. The right to withdraw without reason for seven days lacks a unified implementation guide, and merchants generally refuse to cooperate, resulting in high costs for consumers to seek relief. It is difficult for consumers to provide effective evidence because of the vague definition of the specific circumstances of the application of the statutory rescission right. The conditions of punitive damages are extremely stringent, and the criteria for determining malicious evasion of refunds and the basis for determining the amount of compensation are not clear, so it is difficult to form an effective deterrent effect. Although the illegal standard terms have been found to be invalid, the weak pre supervision and ineffective post punishment have led to the repeated prohibition of the overlord clause. In general, although the existing laws and regulations have established a relatively perfect system of consumer rights, the lack of corresponding enforcement mechanisms, regulatory loopholes and cumbersome rights protection procedures have led to the failure of the effective implementation of most rights. There is a clear disconnect between the design of rights at the legislative level and the actual protection effect.

## 3. Practical challenges in protecting consumer rights in prepaid consumption

### 3.1. Insufficient legal protection for consumers

From the perspective of consumers, prepaid consumption can be described as a prepaid business model for goods or services. The prepayment paid by consumers to enterprises is usually much higher than the price of a single purchase of goods or services. In practice, consumers in prepaid service transactions are more vulnerable to high-pressure marketing or fraudulent sales strategies of enterprises. Consumer contracts form the basis of the relationship between consumers and enterprises. The contractual relationship between business operators and consumers in prepaid consumption has two characteristics: first, the contract performance period is long; Secondly, the performance of contractual obligations is asymmetric. The performance of prepaid consumption completely eliminates the symmetry of contract performance or the symmetry of delay, resulting in the complete loss of consumers' rights of defense, and facing serious limitations on remedies for breach of contract. In prepaid consumption, except for the written contract, the transaction relationship between business operators and consumers is usually reflected only through prepaid cards used to exchange goods or services. When signing a written contract, consumers are often unable to know some key information related to their own interests; The operators, on the other hand, take advantage of the lack of transparency of consumer information and the loopholes in the unilateral formulation of standard terms, so that consumers face unpredictable risks. In view of the above three challenges in the field of prepaid consumption, the rights conferred by the interpretation cannot be fully resolved:

First, the regulatory effect of withdrawal right has limitations. As the core right of consumers in the field of prepaid consumption, the regulatory effect of this right is significantly weakened due to

DOI: 10.54254/2753-7048/2026.34208

the defects of rule design and obstacles in practice. In order to protect the interests of the operators, the exercise of the withdrawal right should strictly abide by the time limit, that is, the withdrawal period. In the face of highly complex trading scenarios, consumers may not fully understand the economic risks within the withdrawal period. Article 25 of the consumer protection law clearly stipulates that the withdrawal right is not applicable and sets strict restrictions on it, while Article 14 of the interpretation also defines the binding provisions. These exceptions seriously limit the scope of application of the right of withdrawal. In addition, consumers may not realize that they have the right to withdraw for various reasons, or do not know how to exercise the right. In such cases, the withdrawal right cannot play its due role due to the ignorance of consumers [5].

Second, the reason for the statutory termination of the contract is not clear. In the prepaid consumption mode, consumers lose the right of defense due to the advance payment. In order to protect the rights and interests of consumers, paragraph 2 of Article 13 of the interpretation is based on the legislative concept of the principle of change of circumstances in the civil code, giving consumers the right to request the court to change or terminate the contract due to unforeseen changes in their own health or other conditions, so as to provide special protection for consumers in the spirit of substantial fairness. However, prepaid consumption contracts must still follow the principle of good faith. The first paragraph of Article 13 of the interpretation takes the breach of contract by the operator as the premise, and lists and stipulates three reasons for consumers to unilaterally terminate the contract. 1. The change of business premises by business operators causes obvious inconvenience to consumers in accepting goods or services; 2. The operator transfers the contractual obligations of prepaid consumption to a third party without the consent of the consumer; 3. The operator promises to provide unlimited number of services within the time limit agreed in the contract, but cannot normally provide them. These three situations are not beyond the scope of the general rules of legal rescission of contracts, but the concrete embodiment of these general rules. Among them, the semantic ambiguity between the "major inconvenience" in the first reason and the "normal provision" in the third reason will inevitably lead to the opposition of business operators, and may lead to an increase in the cost of protecting consumers' rights, which may make them give up this right.

Third, the actual effect of punitive damages is limited. According to the explanation, consumers must meet two conditions to obtain punitive damages: first, the operator terminates business after receiving the advance payment, and fails to cash goods or services as agreed; Second, maliciously evade consumers' application for refund. The original intention of establishing the punitive compensation right is to punish the operators' malicious breach of contract; However, in practice, the right is difficult to implement and fails to achieve its expected function of punishment and deterrence. The key to the effectiveness of punitive damages is whether the infringer is able to pay compensation. But in most cases, such operators have no compensation ability - operators who escape maliciously often have transferred assets or lack working capital. Even if the court decides to pay punitive damages, due to the lack of assets available for enforcement, the actual implementation becomes impossible, resulting in the punitive damages becoming "a dead letter" [6]. In the case mentioned in the introduction, the "professional store-closer" squandered or transferred the funds obtained by fraud. Even if consumers get punitive damages, it is difficult to actually get compensation.

### 3.2. Inadequate regulatory mechanisms for business operators

First, it is also one of the legal means to protect the rights and interests of consumers to force operators to perform or fail to perform specific acts. Article 9 of the interpretation, based on Article

DOI: 10.54254/2753-7048/2026.34208

26 of the consumer protection law and article 497 of the civil code, lists three cases of invalid standard clauses. These terms usually cover some "standard terms" that are often mentioned in prepaid consumption complaints. However, from the perspective of judicial practice, the enumeration of invalid standard clauses does not fully cover the specific circumstances of daily transactions, nor fully consider the limitations of judicial interpretation itself [6].

Second, the interpretation lacks the restriction on the unilateral clauses in prepaid cards. Although standard terms are the main form of contract used by operators in prepaid consumption business, consumers and operators usually do not use written contracts in small transactions with self-employed operators - prepaid cards become the main evidence of the transaction relationship. However, the invalid format clauses listed in the interpretation do not fully consider the negative impact of prepaid cards, such as the prepaid balance cannot be returned due to magnetic card demagnetization, or fees are charged for card transfer and replacement. Since the unilateral provisions of the operator for prepaid cards are completely targeted at every consumer, it is more conducive to the protection of consumers to make uniform mandatory provisions in the law.

Finally, the regulation of operators is limited. The current law mainly relies on the punishment after the event, and lacks the pre prevention and in-process supervision mechanism. This leads to low illegal costs for operators, and it is difficult to establish effective constraints. First, there is a lack of control over the front end of market access. In view of the functional limitations of "interpretation" as a judicial interpretation, although the consumer protection mechanisms established by it are targeted to a certain extent, they do not regulate the improper behavior of operators before signing the contract. Therefore, any operator can engage in prepaid consumption business, and some operators who lack the actual ability to perform the contract can enter the market, attract consumers to recharge through low-cost promotion, and then withdraw quickly. It is precisely because of the lack of preventive supervision that those "professional store closures" failed to stop in time [7].Second, the supervision is insufficient. Although there is a judicial interpretation of prepaid cards, the scope of application of the measures is limited to corporate legal persons in retail, accommodation, catering and other industries. A large number of operators such as self-employed businesses and private non enterprise units are not included in the scope of supervision. In addition, the proportion of prepaid funds required to be deposited into the custody account is too low, and the regulatory responsibilities of the custody bank are not clear. This allows operators to arbitrarily misappropriate prepaid funds, which is difficult to effectively curb their illegal activities.

### 3.3. Indeterminate external regulatory mechanisms

External regulation mainly faces the following three problems: first, the regulatory body is not clear. According to the opinions on regulating the management of commercial prepaid cards issued by the general office of the State Council, there are multiple regulatory bodies with overlapping functions. "The people's Bank of China should strengthen the supervision of the opening and use of the special deposit account for the provision of multi-purpose prepaid cards. The commerce department should take effective measures to strengthen the supervision of the prepayment funds of single-purpose prepaid cards and prevent capital risks." "the industry and commerce department should further strengthen supervision and inspection, strengthen the work of protecting the rights and interests of consumers, crack down on illegal acts that infringe on the rights and interests of consumers, carry out relevant consumption tips in time, and create a good consumption environment." the division of responsibilities between the people's Bank of China, the State Administration of market supervision and the Ministry of commerce is not clear enough, leading to the coexistence of multiple regulatory and regulatory gaps. This makes it difficult for relevant departments to coordinate supervision, thus

DOI: 10.54254/2753-7048/2026.34208

hindering the timely investigation and punishment of illegal and illegal acts of merchants. Second, regulatory means lag behind. At present, the regulation of prepaid consumption still mainly adopts the "passive regulation" with routine inspection and complaint handling as the core. With the development of Internet technology, prepaid consumption forms are increasingly diversified, and online recharge consumption mode is gradually popularized. Conventional passive regulation is difficult to obtain information such as operator transaction data and capital flow, which significantly increases the difficulty of regulation [7]. Third, the regulatory standards are not uniform. The current regulatory framework for prepaid consumption is mainly composed of lower level departmental regulations and local laws, lacking special national level legislation and limited implementation effect. As the core administrative regulatory framework, the scope of application of the measures is narrow and the regulatory measures are not perfect. There are significant differences in local laws and regulatory measures formulated by different regions, which makes it difficult to supervise operators operating across regions, and also affects the unity and authority of supervision.

## 4. Pathways to improving consumer rights protection in prepaid consumption

### 4.1. Improving consumer rights protection mechanisms

First, establish a unified performance guarantee system. The essence of prepaid consumption lies in the long-term credit granted by consumers to operators, which is characterized by the dynamic relationship of "many to one" and "weak to strong". Due to the advance payment, consumers have lost the right of defense to perform simultaneously and the right of uneasy defense stipulated in the civil code. Therefore, it is urgent to establish a unified performance guarantee system. By building a diversified guarantee system of "advance fund depository+performance guarantee insurance+third-party guarantee", operators can choose appropriate guarantee methods according to their own actual business conditions, and allow them to offset custody funds by purchasing performance guarantee insurance or obtaining guarantee from third-party guarantee institutions. This mode prevents the default risk of operators from the source and ensures the safety of prepaid funds of consumers. It can not only safeguard the legitimate rights and interests of consumers, but also protect the operation autonomy of operators [6].

Secondly, improve the unified management system of prepaid cards. As the core tool of prepaid consumption, prepaid card is the key feature of prepaid transaction when it is used for offline or card swiping consumption. Operators are required to disclose the information of designing consumer rights on prepaid cards in a unified format, which is more in line with the essential characteristics of prepaid consumption. The unified information should include the following four points: validity period, royalties, balance processing method and information disclosure method. Generally, prepaid cards should not set a deadline to avoid consumer pressure. For anonymous prepaid cards, it is allowed to set the service life by applying for extension after expiration, provided that consumers have sufficient consumption time. Due to the lack of uniform mandatory laws and regulations, businesses may charge consumers for the use of various items for different reasons. Therefore, the regulations on royalties have more guiding and predictive value for consumers.When the balance of prepaid card is insufficient to purchase goods or services, operators may embezzle the balance to make profits. To solve this problem, relevant laws and regulations should clearly stipulate that consumers can choose to continue to use the card after recharging, or directly apply to the operator for refund of the balance. As for the disclosure of prepaid card information, its purpose is to protect consumers' right to know. Therefore, the information related to consumers' substantive rights and

DOI: 10.54254/2753-7048/2026.34208

interests should be disclosed on the front or back of prepaid card in bold font. Virtual prepaid cards should be presented in a way that is easy for the public to access.

### 4.2. Strengthening business operators' management responsibilities and disclosure obligations

Operators are the main body of prepaid consumption transactions, and standardizing their business behavior from the source is the key to protect the rights and interests of consumers. Specifically, before completing the prepaid transaction, the operator shall clearly inform the consumers in an easy to understand manner of the information closely related to the exercise of the withdrawal right by consumers, as well as the operator's name, contact information, business address, rules for the use of prepaid funds, refund conditions, liability for breach of contract and other core contents. If a written contract is signed, such information shall be marked in a conspicuous font; If the transaction is completed only by prepaid card, the information disclosure obligation can be fulfilled by a separate written notice or by displaying the information in a conspicuous position on the card. In the online recharge scenario, the payment page must display a mandatory pop-up prompt and keep the consumer's confirmation record. At present, China has no legal provisions on such pre contracting disclosure obligations. Although the consumer rights and interests protection law and its interpretation clearly give consumers the right to cancel contracts, there is still a gap in the provisions on disclosure obligations before contracting. In order to fully protect consumers' right to know in prepaid consumption, it is necessary to incorporate this disclosure obligation into the legal provisions, and clearly stipulate that: failure to fulfill the disclosure obligation, making false disclosure or concealing key information are all regarded as fraud, and consumers can cancel the contract and claim compensation accordingly [8].

At the same time, in order to solve the problems caused by the lack of prior supervision - for example, operators with no ability to perform the contract enter the market at will, and false recharge entices them to run after recharging - a comprehensive operator filing and access supervision mechanism should be established to include all subjects including individual businesses and private non enterprise units in the scope of supervision. For operators' abuse of standard terms and unilateral formulation of adverse rules, unified supervision should be enforced. It is necessary to explicitly prohibit such clauses as "no refund of the balance after degaussing the magnetic card", "charging high card replacement fees", "setting unreasonable consumption restrictions" and "unilaterally setting the validity period". Finally, it must be clear that the prepaid card is for a specific purpose: the prepaid funds must be deposited into the regulated account in accordance with the regulations and shall not be diverted for other purposes; Before stopping operation or transferring ownership, the operator must complete the settlement and return of prepaid funds; Those who have not paid off the advance payment shall not go through the cancellation or transfer procedures. In order to solve the problem that prepaid funds are arbitrarily misappropriated and consumers' refund is not guaranteed.

### 4.3. Strengthening administrative oversight of prepaid consumption models

Nowadays, the core challenge faced by prepaid consumption is that there is a serious gap between system design and actual implementation. At the same time, there are also significant defects in the regulatory mechanism and relief measures. If there is no perfect market supervision mechanism, it will lead to the disorder of market economy, the imbalance of competition, and damage the legitimate rights and interests of consumers and honest businesses. Therefore, the establishment of

DOI: 10.54254/2753-7048/2026.34208

an effective regulatory mechanism is necessary to strengthen the legal regulation of prepaid consumption.

First, clarify the regulatory body. "Good laws are not enough to be self-governing". In view of the rapid but unstable development of China's prepaid consumption market, to maintain the stability and security of the market, it is necessary to establish an efficient, coordinated and strict law enforcement system. The responsibilities and procedures of the administrative supervision institutions, including the commercial, industrial and commercial and banking supervision departments, must be clear: the market supervision department should supervise the business activities of merchants, while the financial supervision department is responsible for managing the custody and use of prepaid funds. All departments can also jointly enforce the law, give full play to their professional advantages, effectively respond to the complex and changing challenges in the field of prepaid consumption, and realize the synergy effect that the whole is greater than the sum of parts [9].

Secondly, we should improve the custody system of prepaid funds. The prepaid funds shall be deposited into the designated bank account and monitored by the bank in real time to prevent the merchant from misappropriating funds. The introduction of a third-party guarantee institution or insurance company can give full play to the financial leverage of the guarantee mechanism: if the merchant goes bankrupt, the guarantor will bear the liability for compensation [9]. This measure not only adds a security lock to the prepaid consumption mode, but also reduces the burden on operators, thus achieving a balance between the rights and obligations of both parties.

Third, establish a credit evaluation system for prepaid consumer enterprises. At present, China's online credit reporting system in the field of financial credit and the court's high consumption restriction system for discredited debtors have been relatively perfect, providing effective guarantees for the stable development of the financial credit industry and the enforcement of court decisions. Therefore, in the process of establishing and improving the punishment system for dishonesty in the field of prepaid consumption, we can fully learn from the successful experience of other industries. Relevant government departments should take the lead in credit evaluation of prepaid consumer enterprises, and consumer protection associations and professional credit evaluation institutions should also actively participate. All evaluation subjects need to strengthen information sharing and cooperation. At the same time, the disclosure and application of evaluation information should be enhanced to improve the scientific basis for market entry in the prepaid consumption sector, thereby safeguarding consumers' right to make informed choices.

## 5. Conclusion

As a new consumption mode, prepaid consumption meets the development needs of the market economy and injects new vitality into the consumer market. However, the transaction characteristics of "pay first and then consume" also make consumers' rights face multiple risks of infringement. Although the current legal system has established a multi-level mechanism for the protection of consumers' rights and interests, in practice, the protection of consumers' rights and interests still faces many challenges due to the defects in the design of rights and regulations, the low cost of operators' violations and the imperfect administrative supervision system. Solving these problems can not only rely on the adjustment of a single link. Only through the improvement of legal norms, the self-discipline of operators and the strengthening of administrative supervision, can we directly hit the pain point of the consumer market and promote the healthy and orderly development of market order.

DOI: 10.54254/2753-7048/2026.34208

## References

[1] Supreme People's Court Releases Six Typical Cases Involving Prepaid Consumption: Case No. 6—The Zheng Mou Shun et al. Fraud Case—"Professional store closers" who induce consumers to top up their accounts with the intent to defraud shall be held criminally liable in accordance with the law.
[2] Yang Yaokun. On the Protection of Consumer Rights in Prepaid Consumption [D]. Guangxi Normal University, 2015
[3] Wang Jianwen. Legal Regulation of Prepaid Consumption Models in China [J]. Legal Science (Journal of Northwest University of Political Science and Law), 2012, 30(05): 146-155. DOI: 10.16290/j.cnki.1674-5205.2012.05.013
[4] Zhang Chi. A Discussion on Legal Regulation of Prepaid Consumption in China [J]. Theory and Practice of Finance and Economics, 2017, 38(03): 140-144. DOI: 10.16339/j.cnki.hdxbcjb.2017.03.023
[5] Zhu Guangxin. Consumers' Right of Withdrawal in Prepaid Consumption [J]. Politics and Law, 2025(12)
[6] Zhu Guangxin. Special Protection Mechanisms for Consumers in Prepaid Consumption [J]. Forum on Politics and Law, 2025(06)
[7] Lai Yuyan. Legal Dilemmas and Countermeasures in Consumer Rights Protection in Prepaid Consumption [J]. Modernization of Commerce, 2025(12)
[8] Du Qingyuan. Pathways to Improving Legal Protection of Consumers' Right to Know in China [N]. Shanxi Science and Technology News, January 15, 2026 (A06)
[9] Mao Qing. Legal Issues and Regulatory Research on Prepaid Consumption [D]. Guangxi Normal University, 2023