

Consumer Redress's Impossible Triangle and AI's Transformative Power

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ABSTRACT

This article examines the “Impossible Triangle” in consumer redress—the seemingly irreconcilable tension between legal validity, economic efficiency, and accessibility. Through analysis of empirical evidence from the EU and US, the authors demonstrate how traditional approaches force trade-offs between these crucial elements. While previous technological solutions merely digitized existing processes, the authors argue that artificial intelligence represents a paradigm shift in consumer protection, potentially transcending historical limitations through its unique processing capabilities. However, AI implementation introduces new challenges around algorithmic transparency, bias, and regulatory oversight. Drawing on recent developments and emerging research, the authors explore how AI might transform rather than simply optimize the Impossible Triangle, creating new imperatives for oversight and accountability. This analysis advances both theoretical understanding of systematic failures in consumer protection and frameworks for implementing AI-enabled redress systems.

1. INTRODUCTION

Alex and Sam stare at their broken coffee maker. The \$50 appliance purchased just two months before, for their New York apartment, stopped working without warning. Despite three weeks of polite emails, phone calls that ended in automated messages, and even attempts to reach the company through social media, the seller's customer service has gone silent. They even tried to reach the manufacturer's customer service, radio silence again! Looking up their options online, their frustration mounts as each potential solution seems worse than the last. The simplest path—filing through the seller's and manufacturer's warranty claim systems—is blocked by unresponsive customer service. Filing a formal complaint through

DOI: 10.4018/406749

consumer protection channels would require weeks of detailed paperwork. Third-party dispute resolution websites offer quick solutions but hide concerning terms in their fine print. And while a lawyer could certainly help enforce their warranty rights, the consultation fee alone would cost more than replacing the coffee maker. Alex and Sam exchange exasperated looks: between the complex paperwork, the legal fees, and the time investment, they face a stark reality—sometimes having consumer rights does not mean being able to exercise them. In an age where artificial intelligence (AI) helps people navigate everything from tax returns to medical diagnoses, they wonder why consumer redress remains so inaccessible.

Alex and Sam's story reflects a widespread challenge faced by consumers globally, particularly well-documented in two jurisdictions with extensive consumer protection data: the European Union (EU) and the United States (US). Despite their different legal frameworks and enforcement approaches, both regions reveal striking parallels in consumers' reluctance to pursue legitimate claims. In the European Union - where a European wide collective redress mechanism was only recently introduced - 25% of consumers reported problems with purchased goods or services in 2022, yet only a fraction pursued resolution (European Commission, 2023). The barriers prove remarkably consistent: 49% avoided complaining because they felt it would take too long, 42% were deterred by small claim amounts, and 36% doubted their ability to achieve a satisfactory resolution (European Commission, 2023). The United States shows similar patterns of systematic barriers to justice, despite its long experience with class actions. The Federal Trade Commission (2023) documented over 5.39 million consumer reports in 2023. Of these, 27% of fraud reports included monetary losses, with total fraud losses exceeding \$10 billion and a median loss of \$500 (Federal Trade Commission, 2023).

This challenge extends far beyond Western jurisdictions. An international survey covering 23 countries found that consumer complaint rates vary dramatically—from Brazil's 65% to Japan's 17%—yet the underlying barriers remain strikingly consistent (Ipsos, 2009). While robust legal frameworks exist to protect consumer rights, the practical mechanisms for enforcing these rights remain trapped in traditional paradigms, imposing costs—both financial and temporal—that exceed the value of the claims themselves. As shown in Figure 1, this systemic failure creates an Impossible Triangle in consumer redress, where legal validity, economic efficiency, and accessibility create competing demands that have historically proven impossible to optimize simultaneously (Figure 1).

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