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Consumer Complaints Offer Insight into Enforcement and Regulatory Priorities

The Federal Trade Commission ("FTC") has issued its 2012 annual report of consumer complaints from its Consumer Sentinel Network, an online database used for tracking complaints. The FTC received more than 2 million complaints overall, from multiple sources including its own consumer complaint hotline, other federal agencies such as the Consumer Financial Protection Bureau ("CFPB"), several state Attorneys General, state regulatory agencies, the Better Business Bureaus, and other nongovernmental organizations.

Federal and state law enforcement agencies can and often will use information in the database to enhance and coordinate investigations and in formulation of regulatory priorities.

2012 Rankings of Complaints

The complaint categories making up the top 20 are:

Rank	Category	Complaints	Percentages
1.	Identity Theft	369,132	18%
2.	Debt Collection	199,721	10%
3.	Banks and Lenders	132,340	6%
4.	Shop-at-Home and Catalog Sales	115,184	6%
5.	Prizes, Sweepstakes, and Lotteries	98,479	5%
6.	Impostor Scams	82,896	4%
7.	Internet Services	81,438	4%
8.	Auto-Related Complaints	78,062	4%
9.	Telephone and Mobile Services	76,783	4%
10.	Credit Cards	51,550	3%
11.	Foreign Money Offers and Counterfeit Check Scams	46,112	2%
12.	Advance Payments for Credit Services	42,974	2%
13.	Television and Electronic Media	41,664	2%
14.	Health Care	35,703	2%
15.	Mortgage Foreclosure Relief and Debt Management	33,791	2%
16.	Business and Job Opportunities	32,496	2%
17.	Travel, Vacations, and Timeshare Plans	30,324	1%
18.	Internet Auction	29,553	1%
19.	Credit Bureaus, Information Furnishers and Report Users	29,268	1%
20.	Office Supplies and Services	24,210	1%

A full listing of complaint categories is available in the report. In addition, the report gives national data, as well as a state-by-state accounting of top complaint categories and a listing of the metropolitan areas that generated the most complaints.

CFPB, Other Governmental Agencies, and Others Contribute to Report

According to the report, the CFPB contributed almost 20 times as many complaints as it did in 2011, which was the first half year of its existence (83,740 up from 4,098). The complaint database also includes complaints filed with state law enforcement organizations, other federal agencies, BBBs, and private sector companies. In total about 60% of the complaints are contributed by non-FTC organizations.

Tips to Help Address Consumer Complaints

Not every complaint indicates a violation of law. In addition, investigators should consider the context and reliability of complaints. However, the reality is that FTC, CFPB, and other enforcers will analyze consumer complaints to assist in the identification of potential unfair, deceptive, or abusive practices and other violations of law.

Investigators frequently obtain samples of consumer-level data during the course of investigations. For the consumer-level data, investigators will focus on whether the consumer is treated reasonably, fairly, and without deceptive conduct. By way of example, investigators will review the products and services provided, compare them to the records in the company's primary computer system, and compare them to all statements made in communications from the consumer, including consumer complaints.

The below set of tips can help to reduce consumer complaints and prepare for potential scrutiny:

- Take steps to be responsive and responsible in handling consumer complaints and inquiries.
- Address and resolve complaints and inquiries, whether regarding the entity or its service providers, in a prompt manner.
- Use intelligence gathered from consumer contacts to help evaluate compliance, fulfillment, and overall customer satisfaction.
- Escalate complaints that raise legal issues involving potential consumer harm from unfair treatment or discrimination, or other regulatory compliance issues, as appropriate.
- Develop a process to organize, retain, and use consumer complaint information as part of an overall compliance program.
- Develop written policies and procedures for receiving, escalating, and resolving consumer complaints and inquiries.

Ignoring consumer complaints can have potentially disastrous effects on a company's bottom line and legal exposure. Moreover, it is more than likely that federal and state enforcers will take some of their cues from the consumer complaints their agencies receive. Understanding the type of complaints and the process can empower your business.

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