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New Federal Consumer Protection Working Group Takes Aim at Consumer Fraud

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A newly created Consumer Protection Working Group to combat consumer fraud will work across federal law enforcement and regulatory agencies, and with state and local partners. The Consumer Protection Working Group is the latest in a string of efforts undertaken by law enforcement agencies to protect vulnerable populations. Areas of focus include scams that target the unemployed, those in need of payday loans, and those suffering from the burden of high credit card and other debt, as well as exploiting prospective students, active-duty military personnel, and veterans.

The Consumer Protection Working Group is a new unit within the Financial Fraud Enforcement Task Force that was created in late 2009, and is led by the U.S. Department of Justice. The working group, announced by Attorney General Eric Holder on the heels of President Obama's State of the Union speech, held its first meeting on February 10, 2012.

Officials said the effort will be focused and will coordinate efforts among law enforcement and regulators. At the first meeting of the group, Attorney General Eric Holder said that the partnership "will strengthen our collective efforts, enhance civil and criminal enforcement of consumer fraud and educate the public in an effort to prevent consumers from being victimized in the first place."

According to the announcement, the Consumer Protection Working Group will "address several areas of concern, including payday lending and other high-pressure telemarketing or Internet scams, business opportunity schemes, for-profit schools that engage in fraud or misrepresentation, and fraudulent third-party payment processors that facilitate payments on behalf of other fraudsters without the permission of the customer." The Consumer Protection Working Group will likely follow the lead of the Federal Trade Commission ("FTC"), Consumer Financial Protection Bureau ("CFPB"), and several state attorneys general, which are aggressively investigating potential violations of consumer protection laws.

The new working group has set priorities and discussed taking collaborative steps to continue to seek out and prosecute consumer fraud as well as protect consumers from fraud before it happens through outreach and education. The new working group also plans to establish a best-practices toolkit; legislative, regulatory and policy initiatives; and an information-sharing structure.

Members of the Consumer Protection Working Group include representatives from the FTC, CFPB, Department of Treasury, FBI, Internal Revenue Service-Criminal Investigation, Federal Deposit Insurance Corporation, U.S. Secret Service, Financial Crimes Enforcement Network, Executive Office for U.S. Attorneys, Department of Education's Office of the Inspector General, U.S. Trustee Program, the National Association of Attorneys General, U.S. Postal Inspection Service, the Office of the Comptroller of the Currency, the Federal Reserve Board, and the National Credit Union Administration. The state attorneys general are represented on the working group by Attorney General Lisa Madigan from Illinois, Attorney General Greg Zoeller from Indiana, and Attorney General Roy Cooper from North Carolina.

The potential for investigations of companies and, perhaps several companies within multiple sectors, by the members of the working group adds a dimension to areas that have already been under heavy scrutiny. As a result, companies that work in areas that are related to financially distressed consumers should review existing relationships, staff training, compliance, and audit functions and programs. From advertising and marketing, fulfillment, and complaint resolution, all practices could be subject to review. In addition, sectors in the crosshairs of the working group should assess whether they need to improve messaging and the design of self-regulatory programs with strong enforcement mechanisms to help compliant companies distinguish themselves from those that are not in compliance with applicable laws. Finally, in light of the potential for lawsuits, companies that are under investigation will need to be prepared to defend themselves and their actions.

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