



**Consumer Federation of America  
National Association of Consumer Agency Administrators  
North American Consumer Protection Investigators**

**2010 Consumer Complaint Survey Report**

**July 27, 2011**

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**Introduction**

State and local agencies are the bedrock of the consumer protection system in the United States. Because of their accessibility, these are the agencies that consumers first turn to with their problems. They provide information about consumers' legal rights and advice about how to resolve disputes. Unlike most federal agencies, state and local agencies often mediate individual complaints when consumers are unable to get satisfaction on their own. Some also provide help with business-to-business problems and complaints about government services. Since they are faced with a broad array of questions and complaints, the personnel at state and local agencies need to develop expertise on everything from auto repair to weight loss claims.

In addition to informally mediating complaints, many state and local agencies have administrative, civil and/or criminal authority to stop unfair or deceptive practices and recover money for consumers. Some have special responsibilities such as overseeing state new car "lemon law" programs, testing scales and meters for accuracy, and licensing certain professions to protect public health and safety. State and local agencies also help educate the public through one-on-one counseling, presentations to groups of consumers and businesspeople, and the use of a wide range of media, from newsletters and brochures to webinars and social networking sites. It is important to note that complaint numbers do not include the thousands of calls, letters and emails that state and local consumer agencies receive every year from consumers and businesses seeking information and advice. These services often go unheralded, but they are essential to preventing fraud and reducing the number of complaints that must be handled by consumer agencies or the courts.

To provide a national snapshot of the complaints that consumers make to state and local agencies and the challenges that those agencies face, **Consumer Federation of America** periodically conducts surveys in cooperation with the **National Association of Consumer Agency Administrators** and the **North American Consumer Protection Investigators**. This report is based on surveying 31 state, county, and city agencies from 18 states across America. The surveys cover a one-year period, in most cases January through December 2010.<sup>1</sup>

Consumers can find city, county and state consumer protection agencies listed at [www.consumeraction.gov/state](http://www.consumeraction.gov/state). **State and local consumer agencies need and deserve public support to protect consumers and the integrity of the marketplace.**

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<sup>1</sup> Some agencies keep records on a different basis, such as July through June; all were asked for data for the most recent 12-month period available.

## **Key Findings**

- As in the last survey, complaints about credit and debt are second only to auto-related complaints in the top ten. Fraud is a new category in the top ten.
- No single type of complaint stood out as the fastest-growing or worst in 2010. The complaints that state and local consumer agencies received last year ran the gamut from auto sales to sweepstakes scams. Many of the complaint examples that agencies provided, however, were related to the difficult financial situations that consumers and businesses faced.
- New types of complaints included problems with group discount coupons, medical billing, companies offering to buy consumers' cars, "recovery services" that falsely promise to retrieve money that consumers have lost to timeshare resale companies, massive data breaches, billing disputes spanning many years, the "grandparent scam," tax-related scams, massive data breaches, and wireless TV contracts.
- The agencies surveyed received more than 252,000 complaints in total last year and collectively obtained in excess of \$208 million in restitution and savings for consumers.
- Half of the agencies that responded to the question about their biggest challenge last year cited budget cuts and limited resources, which often forced them to "do more with less."

## **New Laws Needed**

State and local consumer protection agencies were asked if one new law could be passed in 2011 to protect consumers, what would they want it to be? They responded that that new laws are needed to:

- Regulate home improvement contractors and set up recovery funds for consumers.
- Include driveway pavers in laws regulating home improvement contractors.
- Curtail abusive debt collection practices.
- Require licensing for companies that sell and install water treatment devices.
- Assess criminal penalties for Internet fraud.
- Prohibit mandatory arbitration clauses in consumer contracts.
- Enact "lemon laws" to protect consumers who buy used cars that have serious and/or chronic repair problems.
- Require businesses, including online companies, to provide a physical address, telephone number, and single point of contact for complaints, and to keep records of complaints.
- Prohibit companies from charging consumers in advance of providing any type of services.
- Require disclosures prior to the closings on home purchases about any fees or charges that run with the property such as water and sewer charges, septic system fees, and assessments for agricultural preservation.
- Mandate and fund county consumer protection agencies.
- Regulate Internet cafes that are facilitating online gambling.
- Require landlords to obtain licenses for each of their rental properties and impose stiff monetary penalties if they knowingly rent property that is or is about to be in foreclosure.

## **Top Ten Complaints in 2010**

Following are the top complaint categories that most frequently appeared in the agencies' top ten lists. Their ranking in the top ten in 2009 is noted in parenthesis.

1. **Auto:** (1) Misrepresentations in advertising or sales of new and used cars, lemons, faulty repairs, leasing and towing disputes
2. **Credit/Debt:** (2) Billing and fee disputes, mortgage-related fraud, credit repair, debt relief services, predatory lending, illegal or abusive debt collection tactics
3. **(tie) Home Improvement/Construction:** (3) Shoddy work, failure to start or complete the job  
**Retail Sales:** (5) False advertising and other deceptive practices, defective merchandise, problems with rebates, coupons, gift cards and gift certificates, failure to deliver
4. **Utilities:** (4) Service problems or billing disputes with phone, cable, satellite, Internet, electric and gas service
5. **Services:** (6) Misrepresentations, shoddy work, failure to have required licenses, failure to perform
6. **Internet Sales:** (7) Misrepresentations or other deceptive practice, failure to deliver online purchases
7. **Household Goods:** (8) misrepresentations, failure to deliver, faulty repairs in connection with furniture or appliances
8. **Landlord/Tenant:** (8) Unhealthy or unsafe conditions, failure to make repairs or provide promised amenities, deposit and rent disputes, illegal eviction tactics
9. **Fraud:** (not in top 10 last year) Bogus sweepstakes and lotteries, work-at-home schemes, and other scams
10. **Home Solicitations:** (9) Misrepresentations or failure to deliver in door-to-door, telemarketing or mail solicitations, do-not-call violations

Given the lingering recession, it is not surprising that credit and debt complaints remain second only to auto problems. Several agencies listed "fraud" in their top complaints; others specifically cited bogus sweepstakes and lotteries scams, work-at-home schemes, and other scams. Since no information was provided about whether these scams were perpetrated via the Internet, mail, telephone or other means, there may be some cross-over between the complaints in the fraud category and other categories such as credit/debt, Internet sales and home solicitations.

## ***Real World Examples of Top Ten Complaints and What Consumers Should Do***

Complaint examples are arranged in alphabetical order by subject. CFA has provided tips to help consumers avoid these problems and deal with them if they arise.

### **Auto**

#### **Terrifying Tires**

A man complained to the **Ohio Attorney General's Consumer Protection Section** that of the six tires that he purchased from Cooper Tire, four had failed over the course of four years. In two cases the tires ruptured explosively, damaging the man's truck, and in one of those instances causing a serious accident. Fearing for his safety, he decided to replace all the tires with another brand. With the help of the consumer agency he got a pro-rated refund of \$688.85.

*In addition to filing a complaint with their state or local consumer protection agency, consumers should report defective tires and other auto safety problems to the manufacturer and to the National Highway Traffic Safety Administration. Call NHTSA at 888-327-4236 (TTY 800-424-9153), or go to [www.nhtsa.gov/Vehicle+Safety/Recalls+&+Defects](http://www.nhtsa.gov/Vehicle+Safety/Recalls+&+Defects). Keep notes and copies of police reports, repair bills and other documentation.*

#### **Bad Vibrations**

When a Virginia woman had her car towed to a repair shop because it was vibrating violently, she was informed that it was probably the transmission. She agreed to pay \$3,000 for the work, and two weeks later the car was ready. But when she drove it from the shop, it shook worse than before. She brought it back, and after keeping the car for a month, the shop said that it could not find the problem and suggested that one way to stop the vibration would be to remove some of the bolts that attach the engine to the frame. But another shop that the woman consulted advised her that removing the bolts could allow the engine to fall off. The **Virginia Department of Agriculture and Consumer Services** tried but failed to convince the first shop to take the car back for further repairs or return the woman's money. Now she is looking into other options such as small claims court – and a new mechanic.

*If a car repair doesn't fix the problem, get a second opinion from a trusted mechanic.*

#### **The Used Car Blues**

A Massachusetts woman placed a \$1,000 deposit on a used car, but when she returned to complete the purchase, the dealer talked her into buying a different car on condition that a problem with the brakes would be repaired. But when she took the car through the required safety inspection it failed because of the brakes and an exhaust problem. Apparently the mechanic at the dealership had removed a fuse so that the brake warning light would not come on rather than actually repairing the brakes. After the **Consumer Assistance Office – Metro West** got involved the car was repaired correctly.

*If a used car doesn't operate as it should, you may have specific rights. Ask your state or local consumer protection agency for advice.*

## **Credit/Debt**

### **Loan Lesson**

The **Cambridge Consumers' Council** in Massachusetts received several complaints last year regarding collections on delinquent student loans. In one, a disabled man was repeatedly and erroneously turned down by the U.S. Department of Education in his attempts to get his student loan permanently discharged on the basis of his condition. To make matters worse, the debt collection agency hired by the government called the man several times a day despite the letter he sent instructing it to cease communication. Some days the calls were so frequent that he had to unplug his phone. The debt collection company also seemed to be unaware of the fact that the man was applying for a loan discharge and demanded that he "pay up." Working in cooperation with Senator John Kerry, the consumer agency got the loan discharged and the collection agency off the man's back.

*It's illegal for debt collectors to call with annoying frequency. Consumers also have the right to request in writing that debt collectors stop contacting them. See information at [www.ftc.gov/bcp/edu/pubs/consumer/credit/cre18.pdf](http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre18.pdf).*

### **Gonna Wash that Debt Right Out of My Hair**

Freedom Financial Management advertised that it could settle consumers' debts for pennies on the dollar, for a fee. But according to the **Georgia Governor's Office of Consumer Protection**, the company charged far more than the 7.5 percent fee cap set by state law and failed to file proof that it had the required insurance and trust accounts to safeguard consumers' funds while they awaited settlement agreements. Under a settlement with the consumer agency the company refunded a total of \$273,523 to 308 individuals.

*Many states limit fees for debt settlement services. While there is no federal fee cap, federal rules prohibit debt settlement and other for-profit debt relief services from charging fees until they've actually obtained a satisfactory solution for consumers. There are some exceptions; see information at [www.ftc.gov/bcp/edu/pubs/consumer/credit/cre02.pdf](http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre02.pdf).*

### **Loan Modification Assistance Leads Nowhere**

The **Consumer Assistance Council** in Massachusetts received a complaint from a woman who contracted with a company for help to get her mortgage loan modified. She paid \$2,000 but never heard from the company again, nor was any assistance ever provided. The consumer agency's letters were returned as undeliverable. Since the business was located in another state, the consumer agency contacted the appropriate agency in that state, which is investigating nearly 100 complaints against that company. The consumer has been referred to a legitimate counseling service for assistance.

*It is now illegal for mortgage relief assistance services to charge you until they have gotten an offer in writing from your mortgage lender to modify your loan and you have accepted it. See information at [www.ftc.gov/bcp/edu/pubs/consumer/credit/cre42.pdf](http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre42.pdf).*

### **Consumer Retrieves Credit Card Points**

A New York consumer used 75,000 points that he had accumulated with his American Express card to book a trip on Qantas Airlines. Unfortunately, because of a health issue he had to cancel the trip, but American Express refused to reinstate his points. He contended that nothing in the company's literature disclosed that if a trip was cancelled due to a medical emergency the points would be forfeited. The **New York State Consumer Protection Board** intervened and was able to get his points reinstated, saving him \$75,000 (each point equals \$1 in purchasing power).

*If you used credit card points to pay for a trip and you need to cancel because of your health, you might not be entitled to get your points back. Check the company's policies and consider buying trip insurance if there is the possibility that you may not be able to travel.*

### **Fraud**

#### **Sent Spam to the Wrong Address**

The **Utah Division of Consumer Protection** set up an email account to receive spam. Fraudulent offers often appear in spam, and one offer that caught an investigator's eye was for making money working at home. In fact, he received 42 emails, supposedly from different people, touting the same great work-at-home opportunity. The emails provided a link to a fake blog from a fictitious news organization that featured stories about people making money – \$ 7,000 to \$9,000 a month – under the “system” and claiming that it had been featured on MSNBC, CNN, USA Today and other reputable media outlets. That led to another website with similar misrepresentations. The investigator tracked down the individuals behind the scheme. One was in California, another was in Maryland, and a third was in the country of Cyprus. All three eventually entered into settlements with the consumer agency and paid fines.

*Beware of emails from unfamiliar companies or individuals offering easy ways to make money working at home. Their real aim is to steal your money, not to help you earn it.*

#### **No Prize Patrol at the Door**

An Ohio man was thrilled when he got a call from someone purporting to represent Publishers Clearing House. He'd won \$850,000 in the sweepstakes, and all he had to do was send \$220 via a money transfer service to someone in Jamaica to cover the fees. After sending the money, he got another call informing him that an additional \$650 was needed for “insurance.” Needless to say, it was *not* really Publishers Clearing House and the man was *not* really a winner. Fortunately, at that point he contacted the **Ohio Attorney General's Consumer Protection Section** for advice and was convinced not to send more money.

*No legitimate sweepstakes operator would ever ask you to pay to claim a prize – it's illegal. If you had really won, you'd pay the taxes directly to the government.*

### **Home Improvement/Construction**

#### **Vanishing Act**

Window Wizards closed its doors in Bucks County, Pennsylvania, leaving hundreds of home owners without their money or their windows and many warranty issues unresolved. The **Bucks**



**County Consumer Protection, Weights and Measures Office** worked with the company owner to recover more than \$190,000 worth of goods and services for customers.

### **Reappearing Act**

The **Contractors State License Board** in the **California Department of Consumer Affairs** is investigating nearly 80 complaints from consumers and suppliers against Aqua Pool and Spa. Last year, the company shut its store and told reporters that it was going to file for bankruptcy. The board told the company to present a plan to finish incomplete work or provide customers with releases from their contracts so that they could get the jobs done by someone else. Instead, the company sent customers a mutual release that would free it from any liability for not completing the work. Subsequently, two former corporate officers applied for a license to open a pool business at the same location under a new name, Vintage Pools. The board refused to issue the license and is working with the California Spa and Pool Industry Education Council, the Sacramento Association of Pool and Spa Professionals, and the Better Business Bureau to devise a strategy to help abandoned Aqua Pool and Spa customers.

### **A Concrete Complaint**

A Florida man hired a contractor to lay a concrete driveway at his home and paid in advance for the work, including the cost of the concrete. But the contractor failed to pay the company that supplied the concrete, so that company placed a lien on the home. To lift the lien, the consumer had to pay the supplier – essentially paying for the concrete twice. But with the help of the **Broward County Permitting, Licensing and Consumer Protection Division**, the consumer got the money back from the contractor.

### **Not Quality Construction**

Sunrise Quality Construction moved to Montana last year after generating complaints in several other states. Barely a month after it arrived, the **Montana Department of Justice** began to receive complaints from consumers. The pattern was always the same: consumers paid half of the contract amount upfront but the company either never started the job or never completed it. The owner also neglected to pay his subcontractors or take the appropriate taxes out of his employees' paychecks. Montanans have lost more than \$50,000 so far. Due to the multistate nature of the company's activities, actions against it are pending in multiple jurisdictions, and federal charges have been filed as well.

*Contractors often ask for payments as the work goes along to cover the cost of supplies and subcontractors. Make sure your payments are proportionate to the supplies that have been ordered and the work that has been done, and never pay in full before the job is completed.*

### **Home Solicitations**

#### **Dirty Tactics to Sell Cleaning Equipment**

After receiving numerous complaints last year about the sales tactics of The Kirby Company, the **Connecticut Department of Consumer Protection** has asked the state attorney general to sue the company, its distributors, and the company that provides financing for consumers who purchase Kirby's vacuum cleaners. The consumer agency alleges that Kirby engaged in aggressive and unethical sales tactics including salespeople refusing to leave peoples' homes,

selling used vacuums as new, damaging carpets in demonstrating the vacuums, and preying on older people.

### **Multiplying Magazines**

The **North Dakota Attorney General's Office** investigated eight telemarketing companies last year in response to complaints about the tactics they used to sell consumers multi-year subscriptions to multiple magazines. Because the salespeople emphasized the monthly costs rather than the full amounts of the contracts, many consumers did not understand the expensive commitments they were making. Furthermore, the companies failed to comply with the state's home solicitation statute, which required them to provide consumers with notice of their right to cancel the contracts. Settlement agreements with the companies resulted in consumer refunds of nearly \$24,000.

*Don't be pressured into a deal with a telemarketer or a salesperson that appears at your door. Ask for written information about the offer and check out the company before agreeing to anything. Federal law gives you the right to cancel door-to-door sales of \$25 or more within 3 business days. Some states also have cancellation laws for door-to-door or telemarketing sales.*

### **Household Goods**

#### **Better Check That Bedding**

The **Connecticut Department of Consumer Protection** revoked the licenses of two companies operating out of Brooklyn, New York after they failed to show that the used mattresses that they distributed to Connecticut furniture stores to sell had been properly sanitized. During subsequent routine inspections, department personnel found that Elianna Bedding and Industrial Mattress, LLC were continuing to supply used mattresses that did not comply with state requirements to Connecticut stores. The mattresses were seized and the consumer agency has asked the state Attorney General to initiate enforcement action against the companies.

*Before you buy a used mattress, check with your state or consumer protection agency to learn if there are any public health requirements and confirm that the seller has complied with them.*

#### **Crackdowns on Computer Sales Abuses**

A Maryland company, BlueHippo Computer Sales, targeted consumers with poor credit ratings by offering an installment plan for the down payment and financing for the balance of the cost of the computer equipment. Once consumers finished making the down payments, they were supposed to receive their computers, and if they made the finance payments on time they would receive additional "free" items. It sounded good, but it didn't work as promised. Most consumers didn't receive their computers until after they had completed paying in full; some never got them at all. In many cases, the computers that were delivered were old, outdated models, not worth the price that consumers had paid. Some consumers who hadn't received their computers got store credits, but the company failed to ship the items that they bought with those credits. In addition, the "free" items promised to consumers who paid on time usually never materialized. In 2007 the **Maryland Attorney General's Consumer Protection Division** stopped the company from selling in the state and obtained refunds for Maryland consumers who never got their computers or whose computers were devalued by the time

they received them. The company was also required to mediate complaints that came from consumers in other states. These complaints reached an all time high in 2010, just before BlueHippo finally went bankrupt, but the consumer agency was able to help hundreds of people get the products they purchased or their money back.

In another case involving computer sales to vulnerable consumers, the **Tennessee Consumer Affairs Division** is sending refund checks averaging \$4,000 to 114 current or former soldiers who bought overpriced systems from a company that sold them out of kiosks in malls around the Ft. Campbell area. The salespeople used high-pressure tactics to convince the soldiers to purchase the computer systems for as much as three times what they were worth. As in the BlueHippo case, the seller arranged for financing for these unconscionable deals.

*Avoid companies that use high-pressure sales tactics and promise financing for expensive items such as computers. Shop around, and if you can't afford to pay cash, explore whether lay-away plans are available at local stores, or set aside money every week until you have enough saved.*

## **Internet Sales**

### **Cyber Car Sales**

The **Orange County Consumer Fraud Unit** in Florida received several complaints last year from consumers who wired deposits of between \$1,500 and \$2,500 for cars that a company calling itself "Ebay Motors" advertised on Craigslist. The company, which had nothing to do with the auction site eBay and is not subject to eBay's Buyer Protection policies, used an address in Orange County. It was not actually located there, however. The cars were never shipped, and neither the consumers nor the consumer agency have been able to reach the company. The matter has now been referred to the FBI.

*Use care when buying a car that is advertised online, especially if the seller is far away, since it may be difficult to get your money back if the deal goes bad.*

### **Watch Out for Watch Scams**

A company in the San Francisco area advertised new, high-end watches for sale on the Internet for prices ranging from \$15,000 to \$30,000. But according to complaints to the **San Francisco District Attorney's Office Consumer Protection Unit**, what consumers actually got were either used, scratched-up watches or counterfeits. Some never received anything at all. Refunds that were promised usually never materialized; in one case a consumer did receive a refund check for \$15,000, but it bounced. Because attempts to make contact with the company have been unsuccessful, the complaints have now been referred to the investigative unit of the agency.

*It can be risky to buy expensive items from unfamiliar companies on the Internet. Pay with a credit card because federal law gives you the right to dispute the charges if the goods aren't delivered or were misrepresented. Contact your credit card issuer immediately if there is a problem.*

## Landlord Tenant

### **Happier Days at Housing Complex**

One complaint from a resident of an apartment complex in Florida ultimately led to happier days for all fifty families living there. It began when the **Hillsborough County Consumer Protection Agency** heard from a senior citizen that his landlord was not taking care of the trash or the water and septic systems. He had been unable to reach the landlord and was concerned that the electric bills were not being paid and that the entire complex might shut down. His concerns turned out to be prescient; shortly after he made his complaint the bank that held the mortgage filed a court motion to appoint a Receiver and the tenants received notice to be out in three days. Apparently, the owner had been collecting the rent but was not making mortgage payments or maintaining the property. Fortunately, the consumer agency, working with the county code enforcement office, was able to help. They held a meeting with the tenants to explain their rights and helped them compile a list of their concerns. They also organized a meeting between the tenants and the court receiver. Tenants who could document that they had paid rent to the landlord were properly credited for it. Those who did not have leases were provided with new leases if they wanted to stay. The maintenance and repair issues were also addressed, and since the tenants are now better educated and organized they will be able to resolve problems more effectively in the future.

*Tenants who can't resolve health or safety problems with their landlords should contact their state or local consumer protection agency for advice about their rights and options.*

## Retail Sales

### **Charm Offense**

Several consumers complained to the **San Francisco District Attorney's Office Consumer Protection Unit** that they had been pressured into buying excessive amounts of expensive skincare products by salespeople working out of kiosks in large, upscale malls. The salespeople, attractive young men and women, charmed and cajoled consumers into spending hundreds, even thousands of dollars, on products they didn't really want or need. The consumer agency was able to obtain refunds and worked with the mall managers to ensure the kiosks were monitored more carefully. Many malls have internal rules that limit the number of feet that salespeople can go from a kiosk to approach people and that prohibit making physical contact with people (such as rubbing products on their hands) without their consent.

*Don't allow smooth-talking salespeople to persuade you to buy something that you don't really need or want. Depending on the return policy, you may not be able to change your mind and get your money back.*

### **Exercise in Frustration**

After the elliptical exercise machine that a Massachusetts consumer purchased required 8 service calls within 5 months, the consumer demanded a replacement. The store agreed to send a new one if the consumer paid a \$100 delivery charge. Although the delivery fee was charged to the consumer's credit card, the replacement machine never arrived, and then the store went out of business. The **Consumer Assistance Office – Metro West** contacted the manufacturer, which sent a new machine to the consumer.

*Products should perform as you would expect them to for a reasonable period of time. If a product breaks down repeatedly, you may have the right to insist on a replacement or a refund.*

## **Services**

### **Tree Service Trims Consumer's Wallet**

A Florida consumer paid the full price, \$525, to have trees trimmed on his property. In the middle of the job, the tree trimmer said that his saw broke and promised to return. But as the consumer complained to the **Broward County Permitting, Licensing and Consumer Protection Division**, he seems to have vanished, taking the money with him.

*Never pay the full amount for yard work or other services before they are completed.*

### **No Permits for Plumbing**

According to a lawsuit brought by the **Montgomery County Office of Consumer Protection**, more than a dozen consumers in Maryland paid a plumbing firm \$90 to \$150 to obtain permits for installing gas water heaters, but the firm never applied for the permits. Not only did the consumers suffer economic harm, but the situation is potentially dangerous since the installations were never inspected by the proper local authorities. The suit seeks to stop the company from continuing these practices, restitution for known customers, and copies of customer receipts to enable the consumer agency to determine how many other county residents have been affected.

*When professional services require a permit, ask to see it to be sure that it's been properly obtained before the work begins.*

## **Utilities**

### **Satellite TV Issues Settled**

The **Georgia Governor's Office of Consumer Protection** participated in a multi-state action against DIRECTV. Georgia consumers had complained that the company did not clearly disclose the cost and commitment term of its satellite TV service; enrolled them in additional contracts, sometimes when replacing defective equipment, without fully disclosing that fact or the terms of the contracts; failed to disclose that a seasonal sports package would be automatically renewed; and offered cash back but gave only credits instead. Under the settlement, outstanding complaints will be resolved and consumers will receive restitution for fees and penalties that were not adequately disclosed.

*Before signing up for telephone, Internet, cable or satellite TV, read the fine print carefully and ask questions to be sure you understand the billing and termination policies. Get a written contract or a print-out that includes all the terms of the deal.*

## **Worst Complaints in 2010**

State and local agencies were asked for examples of the worst consumer problems they dealt with last year. This could be based on the number of complaints about a particular subject, the amount of loss, the vulnerability of the consumers, or just the sheer outrageousness of the situation. The worst complaints of 2010 run the gamut from fraudulent sweepstakes to funeral services. Many are debt-related – consumers looking for help to pay their debts, or being harassed, even threatened, by debt collectors.

### ***Real World Examples of Worst Complaints and What Consumers Should Do***

#### **Credit/Debt**

##### **Cyber Loans Fail to Materialize**

Consumers who are deeply in debt and are unable to borrow money from traditional lenders to dig their way out may be tempted by online offers for personal loans, but they could end up even worse off than they were before. The **Consumer Assistance Office – Metro West** in Massachusetts received several complaints last year about Internet loan scams. Typically, once applicants were informed that they had been “approved,” they were told that they needed to send money for an “insurance policy” before they could receive the funds. Unfortunately, the loans never materialized, and because the scammers are located outside of the United States, it is difficult to take any action against them. To make matters worse, the detailed personal information that victims provided in their loan applications could potentially be used for identity theft.

*Steer clear of anyone who asks for a fee upfront to provide a loan for personal or business purposes. These are scams that will leave you worse off than you were before.*

##### **Your Money or Your Car Title**

Loan Max and CashPoint settled charges by the **District of Columbia Attorney General’s Office** that they gouged consumers on loans secured by their car titles. The companies charged annual percent rates in excess of 300 percent on these short-term loans, well over the District’s statutory interest cap of 24 percent and more than many consumers could afford to pay. Under the settlement, more than 650 District residents were eligible for refunds, not just for the overcharge but for all of the interest they paid. In addition, the companies agreed to return all the vehicles that had been repossessed and were still in their possession, and to give consumers whose repossessed cars had been sold the full proceeds from the sales.

*Title loans, payday loans and other short-term loans are typically very expensive and can trap you in a never-ending cycle of debt. Plus in the case of title loans you could lose your car if you can’t make your payments. Set aside as much money as you can on a regular basis to cover big purchases or unexpected expenses. Even small savings add up over time.*

##### **Home Refinancing Horror Story**

The **Gloucester County Office of Consumer Affairs, Weights and Measures** in New Jersey was contacted by a woman who thought that she was arranging to refinance her home at more affordable payments through a local realtor and an investor in Florida. Instead, she discovered

that the Florida investor had purchased her home out from under her. He then tried to collect rent from her and threatened to come to New Jersey to evict her if she didn't pay. The case is now in the hands of the FBI.

*If you're having trouble making your house payments, contact your mortgage servicer (where you make your payments) and ask for a "loan modification." You can also get help from housing counselors approved by the U.S. Dept. of Housing & Urban Development. Call 800-569-4287 or go to [portal.hud.gov/hudportal/HUD?src=/i\\_want\\_to/talk\\_to\\_a\\_housing\\_counselor](http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor). More information about modifications is at [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov).*

### **Case of Mistaken Identity**

A Virginia man was being dunned by St. Francis Hospital in New York for emergency room treatment. The problem was, he was not in New York at the time, and he could prove it, but neither the hospital nor the debt collection it hired would listen to him. The debt was placed on his credit report, dramatically lowering his credit score. In desperation, the consumer contacted the **New York State Consumer Protection Board**. It convinced the hospital to admit to a "clerical error" and got the debt collection agency to contact the three major credit bureaus to remove the debt from the man's records.

### **Scam Debt Demands**

Many consumers complained to the **North Dakota Attorney General's Office** last year about threatening calls from individuals, often with foreign accents, demanding payments for payday loans. In most cases, the consumers did not owe the money – they had either already paid off the loans they had gotten, or did not have a loan as they did not complete the online loan application process. When the consumers refused to pay, the callers threatened to arrest them or threatened to kidnap their children or even extradite the consumers to the Dominican Republic; in some instances they claimed to have information that the consumers had purchased illegal drugs online and threatened to expose them. In almost all cases, the callers had consumers' personal data including their Social Security numbers. The consumer agency issued alerts to warn people not to cave into these scams and pay debts they don't owe

*Federal law gives you the right to dispute debts you don't owe and to contest inaccurate information on your credit report. It's also illegal for debt collectors to falsely threaten legal action, use obscene language, or make any threats about bodily harm.*

### **Obama Bailout Scam**

A man complained to the **Cambridge Consumers' Council** in Massachusetts that he had enrolled in the "Obama approved debt bailout program," but after paying an enrollment fee of \$1,171 and monthly fees of \$355 his credit card issuers had never been contacted and his balances and rates had not been reduced as promised. There was, of course, no program approved by the Obama administration to help consumers with their credit card debts. But the man, for whom English was a second language, thought that it must be a credible program because the President's name was used. The consumer agency recovered \$2,000 for him, some but not all of what he had paid.

*If you're struggling to pay your credit cards or other non-mortgage debts, contact your creditors directly to try to get lower interest rates or reach some other solution. If that's unsuccessful, try*

*a non-profit credit counseling service. There may be a small fee, but most non-profit credit counseling services will provide advice even if you can't afford to pay. They will explain your choices, including bankruptcy, and they may be able to set up a plan with your creditors to help you pay off your debts over a set period of time. To find a counseling service near you, contact the National Foundation for Credit Counseling, [www.nfcc.org](http://www.nfcc.org) or 800-388-2227.*

## **Fraud**

### **Caught in Chronic Scam Cycle**

The **Montana Department of Justice** has repeatedly tried to help an older man who seems to fall for every scam in the book. Last year he contacted the agency to say that he had won the El Gordo Lottery in Spain. Two people were supposedly “helping” him collect his winnings, and he wanted the consumer agency to check them out to make sure that they were legitimate. Sadly, he had already given them more than \$200,000, and it appears that he took out a reverse mortgage on his home to raise the money. He did not remember the name of the bank from which he obtained the mortgage nor could he find the paperwork, so the consumer agency is working with the state banking division to help him sort that situation out. Meanwhile, he has undoubtedly lost the money he gave to the scammers, but he is still convinced that he's a winner.

*It's illegal to play lotteries across the U.S. border; you must actually go to the foreign country to buy a ticket. If you haven't done so and you're notified that you've won, it's a scam.*

## **Home Improvement/Construction**

### **Hazard Harry Goes to Jail**

A New Jersey contractor that the **Gloucester County Office of Consumer Affairs, Weights and Measures** has nicknamed “Hazard Harry” failed to register his business as required by state law and was difficult to track down when there were complaints because he was not actually at the address that he used on his contracts and flyers. Last year he took \$10,000 from a consumer, ripped half the siding off the house and dismantled the porch, and then disappeared. Before the homeowner realized that there was a problem, he had referred Harry to a friend. Harry took \$15,000 from that person, dismantled the entry way, did some plumbing work even though he is not a licensed plumber, and again disappeared without completing the job. The law finally caught up with Harry, who is now at an address where he can be found – the local jail.

*Before hiring a contractor, check the complaint records with the BBB and your state or local consumer protection agency and, if there are any licensing or registration requirements, check to make sure that the contractor is in compliance. Pay only a small amount upfront.*

### **Victory for Villas at Cattail Creek Homeowners**

The **Howard County Office of Consumer Affairs** reached a major settlement with the developer and builder of an age 55+ community. Among the problems: the golf course that was a selling feature was never built, the entrance gate for this “gated community” never worked, and the water and sewer system did not function properly. As a result of the settlement, the water treatment facility is being replaced, the assessments paid by homeowners for the water and



sewage system were waived for the remainder of the lien term (28 years), and residents who chose units next to the golf course are being compensated for the fact that there isn't one. The county also received money to oversee and repair the septic system and move a misplaced sewer pipe.

### **Construction Case Cracked**

Several consumers complained to the **Hillsborough County Consumer Protection Agency** in Florida about new homes they had purchased from a builder. In one case, the exterior stucco of the home had cracked, allowing moisture to penetrate the inner layers of the wall and causing mold to appear around the windows inside. Though the warranty that covered cracks in the stucco had already expired, the consumer agency got the builder to agree to make the repairs at no charge. But before the work started, the consumer hired a structural engineer to inspect the home. The problems turned out to be much more extensive: the framing and wall sheathing needed to be replaced, the strength of the mortar did not comply with the design requirements, and a roof truss needed to be repaired. After persistent mediation efforts, the builder repaired all of the problems at a cost of more than \$75,000.

*New home construction is an expensive investment. Get all promises in writing and, if there is a warranty, bring any problems to the builder's attention within the time period required. Your local building or health inspector may be able to help resolve issues. In some cases it may be necessary to hire an expert to determine what the problem is and how to correct it.*

### **Home Solicitations**

#### **Door-to-Door Deception**

The **Fairfax County Department of Cable and Consumer Services** in Virginia received many complaints last year about door-to-door solicitors. In one case, a man agreed to have his driveway resurfaced and paid \$1,260 in advance. The work was never completed and the phone number that the company provided did not belong to that business. Furthermore, the company had neither the solicitor's license nor the home improvement contractor license required. After the consumer agency notified the police, the company owner was arrested, and ultimately the man got his money back.

*Don't hire driveway pavers, painters, or other itinerant companies that show up uninvited at your door. These are usually scammers whose only interest is to take your money and run.*

More than twenty consumers from Western and Midwestern states complained to the **Summit County Office of Consumer Affairs** in Ohio that they had paid a company that solicited door-to-door \$34 to \$314 for magazines that they never received. The company gave a business address in Summit County, but it turned out to be a rental property where a relative of the company owner lived. The consumer agency tracked the owner down to Texas, but he refused to cooperate. The BBB and law enforcement agencies have been alerted to be on the lookout for him.

*There is always some risk involved when you pay in advance for goods or services that will be delivered later. You can reduce the risk by doing business with companies you know and trust or that you've thoroughly checked out before handing over your money.*

## **ID Theft**

### **Children Caught in Catch 22**

Identity theft is a problem for people of all ages, but for foster children the impact can be especially severe because they lack a family support system to help them. Once they're ready to leave their foster homes, identity theft can affect their ability to rent an apartment, obtain credit, and get jobs. Credit reports are only created for adults, but if someone has stolen a child's personal information and used it pretending that it belongs to an adult, a credit report may exist without the child knowing it. California law requires that when children in foster care turn 16 they must check any credit reports that may exist in their names to see if there are potential identity theft problems. The problem is that the credit reporting system is not set up for minors to check their credit reports because normally they wouldn't have them. To deal with this Catch 22 situation, the **Los Angeles County Department of Consumer Affairs** formed a partnership with the California Office of Privacy, the three major credit reporting bureaus, and the Los Angeles County Department of Children and Family Services to find any negative credit information connected to foster youth in the county and help resolve the problems. In one case, a 16 year-old had 11 delinquent accounts linked to his name, including bills from two telephone companies, a gas company, a cable provider, a bank, and a city agency. The consumer agency contacted the creditors and got the negative records removed from the child's credit report.

*ID theft can happen to people of any age. Children's personal information is especially useful to people who have legal or credit problems because it is unblemished. Parents or guardians who discover that children are victims should try to work with the major credit bureaus to resolve the problems. See [www.idtheftcenter.org/artman2/publish/v\\_art\\_solutions/Solution\\_5.shtml](http://www.idtheftcenter.org/artman2/publish/v_art_solutions/Solution_5.shtml).*

## **Services**

### **A Grave Situation**

After a well-established Pennsylvania memorial business changed hands, complaints started to come into the **Bucks County Consumer Protection, Weights and Measures Office** about the new owner failing to install gravestones that consumers had paid for. Once the consumer agency and the police got involved, the owner installed the stones. She then closed that business, bought another long-time memorial business in the county, and the pattern was repeated: more than a dozen people complained that they paid for gravestones that were never installed. It was not only the thousands of dollars at stake; consumers were also emotionally distraught about the missing markers. Once again, the consumer agency worked with the police to press the woman to deliver, and most of the stones have been installed. That business has now closed, and the woman is working at – but thankfully is not in charge of – another memorial business.

*Handling the arrangements after a death can be stressful. But just as with other major consumer purchases, it's important to get a contract that specifies what will be done and when, and to follow up with the seller if the products or services are not provided on time.*

## **Towing**

### **Tackling the Towing Problem**

The worst consumer problem reported to the **Montgomery County Office of Consumer Protection** in Maryland last year was towing. The agency received many complaints from people whose vehicles were towed from private property such as shopping centers and residential parking lots. Parking spaces are often restricted for use by customers at specific stores. When people are shopping at neighboring stores within the same shopping center, they do not realize that their vehicles may be towed. Compounding the problem is the fact that individual stores contract may contract with different companies for towing services, and proper signage is not always posted. The consumer agency is leading a task force with property owners, store owners, towing companies, community agencies and local police to find solutions to this problem.

*Look carefully at the signs around parking lots to make sure that it's OK before leaving your car. If your car is towed and you believe that the warnings were inadequate, pay the towing charge to avoid storage fees, and then ask your state or local consumer protection agency for advice about how to contest the towing.*

## **Fastest Growing Complaints in 2010**

Among the complaints that agencies reported increased in 2010, no single category stands out. Some of the fastest growing complaints, such as credit and debt problems and store closings, are probably linked to the tough economic times. Here are some examples of those and other fastest-growing complaints involving auto sales and service, landlord/tenant problems, timeshare resellers, telemarketing, phone bill disputes, free trial offers, roofing, and problems with appliances.

### ***Real World Examples of Fastest-Growing Complaints and What Consumers Should Do***

#### **Auto**

##### **Repairs Were Far From Purrfect**

Auto repair problems were the fastest growing complaints at the **California Department of Consumer Affairs**. Its **Bureau of Auto Repair** shut down five Purrfect Auto Service shops after finding evidence of repeated fraud. In addition to information from complaints, the consumer agency obtained declarations from several former employees about the company's practices and used undercover vehicles to gather evidence. Among other violations, the company allegedly charged for parts and services that were not needed, and that in some cases were not provided.

*Only do business with auto repair shops that you know and trust or that have good reputations based on other people's experiences. If you have any doubts about the diagnosis of your car's problem, bring it to another shop for a second opinion if possible.*

##### **Rust Bucket Problem Resolved**

The **Consumer Assistance Council** in Massachusetts saw a spike of complaints about car sales and repairs last year. In one case a local dealer advised the owner of a 2001 Toyota Sequoia that it was unsafe to drive it because the frame had rusted prematurely. Since the vehicle was out of warranty, the manufacturer refused to resolve the problem. But an intrepid mediator at the consumer agency researched the issue and discovered that there had been recalls for the 2001-2003 Toyota Tundra, built with the same frame as the Sequoia, for the same problem. Armed with this information, the mediator convinced Toyota to pay to replace the rusted frame.

*You can search for official recalls at the National Highway Traffic Safety Administration's website, [www-odi.nhtsa.dot.gov/recalls/recallsearch.cfm](http://www-odi.nhtsa.dot.gov/recalls/recallsearch.cfm). Not all problems show up as recalls, however; manufacturers sometimes just issue service bulletins to their dealers. If you think that your car's problem may not be isolated, ask a dealer if there are any relevant service bulletins.*

#### **Credit/Debt**

##### **Consumers Lose in Loan Modification Scams**

Another fast-growing problem last year was fraudulent offers to help save consumers' homes from foreclosure. One complaint that the **Consumer Assistance Office – Metro West** in Massachusetts received was from a woman who, desperately seeking help, found an out-of-

state “law firm” online that promised that it could help lower consumers’ mortgage payments. She paid \$3,000 and provided all of her financial information. Subsequently, the firm informed her that it could not help her, but it refused to give her a refund. Unfortunately, the consumer agency’s attempts to get her money back were unsuccessful.

The **Virginia Department of Agriculture and Consumer Services** also cited loan modification scams as the fastest growing complaints last year. One homeowner paid a company \$3,500 to help get her mortgage payments modified. After eight months, the company informed her that her payments were being lowered to \$700 per month. But shortly afterwards she received a notice from the lender that her home had been sold and giving her 5 days to vacate. She discovered that the loan modification company had in fact never contacted her lender. Fortunately, though she lost her money, she was able to work out a loan modification with the lender and stay in her home.

*It is now illegal for mortgage relief assistance services to charge you until they have gotten an offer in writing from your mortgage lender to modify your loan and you have accepted it. If you’re having trouble making your house payments, contact your mortgage servicer (where you make your payments) and ask for a “loan modification.” You can also get help from housing counselors approved by the U.S. Dept. of Housing & Urban Development. Call 800-569-4287 or go to [portal.hud.gov/hudportal/HUD?src=/i\\_want\\_to/talk\\_to\\_a\\_housing\\_counselor](http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor). More information about modifications is at [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov).*

### **No Help at All**

When a North Dakota woman received a letter from Legal Helpers Debt Resolution promising to settle her credit card debts, she thought her prayers were answered. She agreed to have money drawn from her bank account and deposited into an account with Global Client Solutions to be used to pay the fees and fund the debt settlement offers. Within five months, \$2,864.42 had been withdrawn from her bank, of which \$2,712.14 went to Legal Helpers for fees, leaving only \$152.28 in the account with Global to use for debt settlement negotiations. Meanwhile, because the woman had stopped paying her credit card bills in anticipation of settlements, one of the card issuers sued her. She hired a lawyer and settled with that company, and eventually settled directly with the other card issuer. Having gotten no help from Legal Helpers or Global, she demanded her money back. Global refunded \$242.38; Legal Helpers refunded nothing. After she filed a complaint with the **North Dakota Attorney General’s Office**, Legal Helpers offered to return most of the remaining money and she accepted.

*Federal rules now prohibit debt settlement and other for-profit debt relief services from charging fees until they’ve actually obtained a satisfactory solution for consumers. There are some exceptions; see information at [www.ftc.gov/bcp/edu/pubs/consumer/credit/cre02.pdf](http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre02.pdf). If you’re struggling to pay your credit cards or other non-mortgage debts, contact your creditors directly to try to get lower interest rates or reach some other solution. If that’s unsuccessful, try a non-profit credit counseling service. There may be a small fee, but most non-profit credit counseling services will provide advice even if you can’t afford to pay. They will explain your choices, including bankruptcy, and they may be able to set up a plan with your creditors to help you pay off your debts over a set period of time. To find a counseling service near you, contact the National Foundation for Credit Counseling, [www.nfcc.org](http://www.nfcc.org) or 800-388-2227.*

## **Fraud**

### **Timeshare Resale Rip-Off**

A few consumer agencies cited timeshare re-sale scams as the fastest growing complaints last year. Consumers are often pressured into buying timeshares and, when they don't use them or can't afford to continue paying for them, they are vulnerable to fraudulent promises to resell them. In one complaint to the **Florida Department of Agriculture and Consumer Services** last year, an elderly couple said that they had paid \$1,999 to Universal Marketing Solutions, which claimed that it could resell their timeshare *and* recoup the money that they had previously paid to three other companies to resell it. Instead of unloading their timeshare and getting the money they lost back, they got ripped off again, and now Universal Marketing Solutions is out of business. Timeshare re-sale complaints were also cited as the fastest growing last year by the **Pinellas County Justice and Consumer Services Office** in Florida.

*Own a timeshare that you want to unload? Avoid resale companies that take upfront fees no matter whether they ultimately succeed in selling your timeshare or not. And don't throw good money after bad by paying another company to "recover" the money you've already given to a timeshare reseller. Ask the company that manages the timeshare property what your options are. You may also want to consult with a licensed realtor.*

## **Health Products and Services**

### **Unhealthy Economic Climate for Health Clubs**

One type of business that seems to have been hit hard by the recession is health clubs. The **Maryland Attorney General's Consumer Protection Division** received many complaints about health clubs and fitness centers going out of business last year. In one case, a club with several locations across the state attempted to shift customers from one location to another as it closed some of its facilities down, but as the distance that customers had to travel grew, so did their frustration. Eventually, most of the club's facilities were shuttered, leaving hundreds of consumers who had paid for memberships high and dry. Maryland is working to obtain refunds for consumers.

*Even well-established, reputable businesses can close unexpectedly. In many states, certain types of businesses, such as health clubs, are required to be bonded, but sometimes there isn't enough money in the bond to cover all claims. The safest way to pay for health club memberships is on a monthly basis, because you can stop the payments if the facility closes. Your state or local consumer protection agency can explain your rights concerning health clubs.*

## **Home Improvement/Construction**

### **Roofing Rip-offs**

Roofing complaints increased nearly five-fold at the **Georgia Governor's Office of Consumer Protection** last year. One problem company was American Shingle, based in Florida. From an office in Atlanta, the company monitored reports about storm damage and immediately sent "assessors" to the homes of consumers in affected areas. It persuaded people to sign exclusive service agreements that required them to have their insurers send their claims checks directly to American Shingle. The company not only failed to make the repairs but refused to refund

consumers' money or cancel their contracts if they sought to have the repairs made by other contractors. After an extensive investigation, the consumer agency was able to secure the return of approximately \$258,000 in insurance checks for 38 consumers and, working with criminal authorities, shut the company's operations down in Georgia. Now bankrupt, the company is under investigation by the FBI.

*Consumers whose homes are damaged by natural or man-made disasters are vulnerable to shady contractors who swoop in to offer help. No matter the situation, find out if there are any licensing or registration requirements in your state and if the contractor is in compliance. Also check the contractor's complaint records. Don't sign anything until you're sure that this is the contractor you want to hire.*

## **Home Solicitations**

### **Too Many Telemarketing Calls**

The **Montana Department of Justice** received a spate of complaints last year from consumers in other states who were getting harassing calls from numbers with a Montana 406 area code. The calls were for a variety of things such as time share sales, debt collection, credit card rate reduction, and payday loans. On investigation the consumer agency found that the numbers belonged to an out-of-state company that leased them from another company, which leased them from a telephone company in California. A federal agency is now looking into the matter.

*You can reduce unwanted telemarketing calls by signing up for the "Do Not Call" registry operated by the Federal Trade Commission. It's easy and it's free. Go to [www.donotcall.gov](http://www.donotcall.gov) or dial 888-382-1222 from the phone number that you want to register. You can also register cell phone numbers. If you believe that your "do not call" rights have been violated, contact your state or local consumer protection agency and the FTC.*

## **Household Goods**

### **Consumers were Frosted**

Complaints about appliances were the fastest-growing at the **Summit County Office of Consumer Affairs** in Ohio last year. In one case, a retired couple purchased a French-door refrigerator with a bottom freezer for nearly \$2,000. A block of ice kept forming in the freezer, making it hard to shut the door. Other problems started developing, such as a leak in the insulation. After 7 service calls, the consumers had had enough and demanded their money back or a replacement. Their demands were ignored until the consumer agency intervened; with its help they received a full refund.

*Products should perform as you would expect them to for a reasonable period of time. If a product breaks down repeatedly, you may have the right to insist on a replacement or a refund.*

## **Internet Sales**

### **Trials and Tribulations**

Free trial offers for products designed to improve people's health, appearance, or performance were the fastest growing subjects of complaint at the **Cambridge Consumers' Council** in

Massachusetts last year. In most cases consumers were not aware that they needed to cancel within a certain time to avoid charges, which were usually recurring monthly fees. And in some cases they did not receive the products within the “free trial” period. One consumer complained that she agreed to try a teeth whitening product that was advertised on a website, but when it did not arrive within the time promised, she tried to cancel the deal, with no success. The company simply failed to respond, but meanwhile it was charging a monthly fee of \$88 to her credit card. When the consumer agency could not get any response from the company, either, it worked with the woman’s credit card issuer to reverse the 5 months of fees that the company charged her.

*Be wary of “free” offers on the Internet; there are usually strings attached. Look at the terms of the offers carefully and note on your calendar if you have to cancel by a certain date to avoid being charged. Review your credit card and bank account statements promptly. If you discover charges or debits that you don’t agree with, contact your card issuer or bank immediately.*

## **Landlord/Tenant**

### **Lose Those Liquidated Damages**

At the **Howard County Office of Consumer Affairs** in Maryland, landlord/tenant problems were the fastest growing complaints last year. Some are due to landlords not being aware of state law. For instance, in one case the landlord was using a standardized lease distributed by the National Apartment Association that contained a liquidated damages clause – a provision that entitled the landlord to automatically charge tenants the equivalent of one month’s rent if they broke their leases in *addition* to any rent that was still due for the rest of the lease term. In Maryland, however, landlords are obliged to “mitigate” their damages – in this case, to attempt to re-rent the apartment – and are only entitled to any actual damages they suffer. Once the landlord was apprised of this by the consumer agency, he agreed to remove the liquidated damages provision from his leases.

### **Security Deposit Finally Secured**

Landlord/tenant problems, particularly failure to return security deposits, were also the fastest growing complaints at the **Fairfax County Department of Cable and Consumer Services** in Virginia. One consumer complained that the landlord failed to return the deposit or give her any statement for why it was being withheld within 30 days of moving out, as required by the lease. The consumer requested a full refund plus interest. In response, the landlord provided a statement of fees and damages that exceeded the amount of the deposit. In the course of mediation, the landlord offered to waive the fees and lower the amount of damages, but never provided any evidence for the repairs. Finally, the agency was able to recoup the full amount of the deposit plus interest for the consumer, a total of \$2,611.

### **Foreclosure Fright**

When a Maryland tenant saw strangers walking around his yard, he asked what they were doing and was informed that they were inspecting the property on behalf of the lender, who was foreclosing on it. They told him that he had 24 hours to get out or he and his belongings would be forcibly removed. Panicked, he sent his wife and children to stay with friends while he prepared to fight eviction. His landlord denied that there was any problem, so the tenant contacted the **Maryland Attorney General’s Consumer Protection Division Office**, which



confirmed with the lender that the property was indeed in foreclosure. The lender was unaware that there was a tenant, however, and after the consumer agency provided a copy of his lease, he was allowed to stay as required by state law.

*Not sure of your rights as a tenant or your responsibilities as a landlord? Information is available from your state or local consumer protection agency.*

## **Utilities**

### **\$21,000 Telephone Bill**

Complaints about telephone bills rose at the **New York State Consumer Protection Board** last year. In one case, a woman contacted the agency for help when she received a bill from AT&T for three months in the amount of \$21,000. She had been a customer for several years and never had a bill close to that amount before. It turned out that her husband was deployed in Iraq and in order to receive his emails she kept her Internet connection running continuously. She did not realize that she was being charged on a per-minute basis. The consumer agency was able to obtain a credit of \$16,207 for her after contacting the executive office of the company to explain the circumstances.

*If you believe that your utility bill is incorrect, you may have certain rights under state law; check your bill for instructions about how to dispute it. But even if the charges are correct, the company may be willing to make an adjustment if there are unusual circumstances. If you can't afford to pay all at once, the company may agree to installment payments.*

## **New Complaints in 2010**

State and local agencies were asked if they had encountered any new types of complaints during the survey period. Here are some examples that were provided.

### **Group Discount Coupons**

Complaints about discount coupons that are available to consumers when a certain number of people purchase them through companies such as Groupon were new to the **Cambridge Consumers' Council** in Massachusetts. Many consumers do not realize that the coupons have specific expiration date and, since they are not considered gift cards, the coupons are not subject to the state gift card law. In one case, a consumer purchased a coupon online for a 90-day pass to a local fitness club. The terms printed on the coupon were not clear and the consumer thought that as long as she started using it before the expiration date, it was good for 90 days from that point on. To her dismay, however, she found that she could not continue to use it past the expiration date. The coupon company disclaimed any responsibility for the problem, but the consumer agency was able to get her \$119 refunded.

*Read the terms of coupons carefully. If you believe that they weren't adequately clear and you are unable to resolve the issue yourself, contact your state or local consumer protection agency.*

### **Medical Billing**

Medical billing complaints were new to the **Fairfax County Department of Cable and Consumer Services** in Virginia. In one case, the medical practice failed to properly submit the bills to the consumer's insurance company, so that it appeared that there were outstanding charges when in fact they should have been covered. The consumer agency was able to resolve the problem. The **New York State Consumer Protection Board** also found itself dealing with complaints about medical bills, particularly insurance denials of claims. It is unclear whether these problems are related to the new federal health care reform law, but the agency, now the **Division of Consumer Protection** in the **New York Department of State**, is monitoring the situation and working with the state insurance department on these cases.

*If you have a medical bill that should be covered by insurance, be sure you know whether the health service provider will submit it to your insurer or if you need to do so. If there is a problem with getting the bills paid, ask your state or local consumer protection agency for advice. Many states have specific programs that assist consumers with health insurance problems. See [www.healthcare.gov/law/provisions/cap/index.html](http://www.healthcare.gov/law/provisions/cap/index.html).*

### **Timeshare Resale Recovery Services**

The **Florida Department of Agriculture and Consumer Services** receives many complaints from consumers about payments to companies that promised to resell their timeshares and failed to do so. Now a new business has sprung up, recovery services that offer to get consumers' money back from timeshare resellers, for a fee. One way that these recovery services identify potential victims is by searching the agency's complaint database, which is accessible through public record requests, looking for complaints about timeshare resellers. They then offer to file disputes with the consumers' credit card issuers about their payments to the timeshare resellers – something that consumers can do themselves for free. They also sometimes offer to make complaints on consumers' behalf to the relevant government agencies; again, something

that consumers can do themselves for free and that, if they have already done so, can result in duplicate complaints. When the credit card disputes are filed, consumers automatically receive temporary credits while their card issuers contact the timeshare resellers. Meanwhile, the recovery services charge the consumers a percentage of the credited amounts as their fees. But if the timeshare resellers insist that the charges were valid, the credit card issuers may withdraw the provisional credits, leaving those consumers out the original amounts they paid the timeshare resellers plus the fees they paid to the recovery services.

*Don't pay a "recovery service" to try to get your money back from a timeshare reseller or any other type of business. These services can't do anything that you can't do yourself, and many are outright scams. If you paid the business with a credit card, you have the right to dispute the charges if you didn't get what you were promised. You may also be able to get help free from your state or local consumer protection agency.*

### **Wireless Television Services**

Last year the **Gloucester County Office of Consumer Affairs, Weights and Measures** in New Jersey began to hear about problems with wireless television services. One consumer complained that he never got a contract; the salesperson simply asked for his signature on a hand-held computer. State law requires a sales receipt or contract and the return and cancelation policy must be presented to the consumer at the time of purchase. The consumer agency is working with these companies to ensure that consumers get the proper information and documentation.

*Before signing up for telephone, Internet, cable or satellite TV, read the fine print carefully and ask questions to be sure you understand the billing and termination policies. Get a written contract or a print-out that includes all the terms of the deal.*

### **Car Buying Companies**

The **Howard County Office of Consumer Affairs** in Maryland dealt with a new type of business last year – car buying companies. “We Buy Cars” advertised that it would pay more for consumers’ cars than the car dealer across the street. But consumers complained that the checks from “We Buy Cars” bounced or that the loans on the cars they sold to the company were not been paid off as promised. While both the State and County consumer protection laws cover consumers as buyers, not as sellers, the agency was able to get some of the complaints resolved. Unfortunately, many sellers lost their cars while remaining liable for the outstanding balance of the cars’ loans. Because of this incident, the Maryland General Assembly amended the scope of the State’s Consumer Protection Act to cover situations in which companies buy goods or real estate that have liens on them from consumers.

*If you are selling a car or something else that has an outstanding loan on it, be aware that you will be held responsible by the lender if the loan is not paid off.*

### **Billing Disputes Spanning Many Years**

The **Consumer Assistance Office – Metro West** in Massachusetts encountered a new problem last year, if not a new type of complaint – billing disputes spanning a period of several years. Sometimes it took a while for consumers to discover the problems, especially when there were automatic debits from their bank accounts. In one case, a consumer complained that a health

club had withdrawn monthly payments from her bank account for 15 years after she cancelled her membership! She thought that the debits were bank fees until something caused her to look at her statements more closely. These “retroactive” complaints, as the agency dubbed them, are particularly difficult to resolve because the documentation is often missing.

*Review your credit card and bank account statements carefully and notify your card issuer or bank immediately if you find anything questionable. It may be more difficult to resolve problems later because of legal time limits and the possibility that the billing records may no longer exist.*

### **Massive Data Breaches**

A spate of data security breaches at several banks and credit unions in December 2010 resulted in hundreds of consumers asking the **Montana Department of Justice** for help. While not a new problem, the sheer volume of these complaints spurred the agency to develop a new, standardized procedure for responding to data breaches in the future.

*Many states now require consumers to be notified if the personal data that companies or others hold about them has been lost or accessed illegally. Your state or local consumer protection agency can provide information about your rights in these situations.*

### **The Grandparent Scam**

Complaints about the “grandparent scam” were new to the **Ohio Attorney General’s Consumer Protection Section** last year. In these scams, consumers receive calls or emails purporting to be from friends or relatives in some sort of emergency situation and asking them to wire money right away to help. Because the scammers use phony identities and pick up the money in cash, they are very hard to trace. The agency issued alerts to warn Ohioans about these scams.

*Even if you don’t have grandchildren, you may be targeted by a variation of the “grandparent scam.” For tips and to watch a funny video, go to [www.consumerfed.org/fraud](http://www.consumerfed.org/fraud).*

### **Tax-Related Scams**

The **San Francisco District Attorney’s Office Consumer Protection Unit** in California dealt with a variety of tax-related scams for the first time last year. Some targeted property owners, offering to help reduce their property taxes. In other cases business owners were offered help in filing their taxes. The scammers used official-looking correspondence that appeared to be from the government and charged consumers for assistance that they could have easily gotten for free from the appropriate government agencies. Because the companies were traced to Los Angeles County, the agency assisted Los Angeles District Attorney's investigation, which resulted in misdemeanor and felony charges.

*If you have a question or a problem concerning a tax bill, contact the government agency that issued it directly. You may be able to get the answer or resolve the problem easily yourself. If you need professional help, consult with a reputable accountant or attorney in your area.*

## **Consumer Agencies' Biggest Achievements in 2010**

State and local consumer agencies were asked to describe their biggest achievements during the survey period. These could be major cases, new websites or other public outreach efforts, improved internal systems, new laws or regulations, or other significant achievements. Examples from their responses follow.

### **Complaints and Enforcement**

A new licensing and enforcement database for the healing arts boards overseen by the **California Department of Consumer Affairs** agency's has reduced the average time to close an enforcement case from 3 years to within 18 months.

The settlements that the **District of Columbia Attorney General's Office** reached with auto title lenders Loan Max and CashPoint for gouging consumers with interest rates not only resulted in refunds for hundreds of consumers but added substantially to DC's Consumer Protection Fund, which is used for consumer protection and education.

The **Bucks County Consumer Protection, Weights and Measures Office** in Pennsylvania helped to resolve an expensive problem for an elderly resident. The woman had moved into an assisted living facility but quickly moved out because she did not feel safe there. She was informed that the \$164,500 down payment would not be refunded until another occupant was found. However, the facility did not seem to be trying very hard to find a replacement; in fact, it began using her room as a display model. With the agency's help, the woman got a full refund.

The biggest achievement last year for the **Georgia Governor's Office of Consumer Protection** was the case it brought against Cycle Works Sanitation & Recycling LLC, a waste hauling and recycling company that solicited customers door-to-door. The company failed to notify consumers that they have three days to cancel their contracts. In addition, it charged consumers a \$25 cancellation fee, which was not included in its sales presentations or contracts. To settle the case, the company agreed to comply with the door-to-door sales law in the future and to waive the cancellation fee for current customers, saving as many as 8,000 consumers a total of \$196,588.

The **Gloucester County Office of Consumer Affairs, Weights and Measures** in New Jersey joined the state office of consumer affairs last year to launch a new program under which local consumer agencies can issue warning summons to unregistered home improvement contractors, which is a crime in New Jersey. The agency also conducted a joint undercover sting, using a local home owned by the county and inviting unregistered contractors to come and give estimates for work. Nineteen notices of violations were issued, and the resulting media coverage helped educate consumers and encourage unregistered contractors to register.

Florida has become the leading "pill mill" state in the country, and many local communities, including Hillsborough County, have begun to enact local ordinances to regulate and limit the proliferation of "pain management clinics" that dispense prescription drugs indiscriminately. Some patients come from other communities, even other states, to get prescriptions and then sell the drugs. Overdoses are another frequent problem. Since the **Hillsborough County**

**Consumer Protection Agency** developed rules, an application process, licensing, and inspection criteria for such clinics last year, 7 have been successfully closed down. The **Pinellas County Justice and Consumer Services Office** also used a new ordinance and registration requirement to close several of these clinics down.

Settling a major case against a door-to-door cookware company that was making false promises and using high pressure sales tactics was the biggest achievement for the **Los Angeles County Department of Consumer Affairs** in California last year. The victims were mostly Spanish-speaking immigrants. This was the second such case that the agency investigated; a similar one against another company was settled in 2008. In the most recent case, the company paid \$600,000 for restitution and fees, and agreed to fund an independent auditor to ensure that it complies with the law in the future.

The **Montgomery County Office of Consumer Protection** in Maryland said that its biggest achievement last year was reaching an agreement with a local electricity provider regarding misleading advertisements by third-party sellers for electric service. The consumer agency also collaborated with state agencies to launch a program to prevent unlicensed home improvement contractors from obtaining building permits.

Intervention by the **Orange County Consumer Fraud Unit** in Florida helped investors in a fraudulent real estate scheme recoup nearly \$200,000. The investment firm sold shares in commercial property that it had actually never purchased. Had the investors retained the services of a licensed realtor, they might have avoided being fleeced in the first place. A state agency is now investigating the firm and criminal charges may be filed.

Florida is the epicenter of the foreclosure crisis, and desperate homeowners are easy prey for foreclosure rescue scams. With the help of a federal grant last year, the **Pinellas County Justice and Consumer Services Office** was able to enhance its investigative capabilities and provide additional assistance to victims.

Many scammers use San Francisco addresses, not only post office boxes but prestigious addresses in the city. Sometimes they merely use the addresses as mail drops; in other cases they rent space with a desk, phone, computer, and reception service, but no one from the business is physically at that location. To improve its ability to track down these elusive scammers, the **San Francisco District Attorney's Office Consumer Protection Unit** started working with the management of the properties to help determine where the people behind the businesses were actually located. In cases where the scammers were located in other jurisdictions, the consumer agency referred the complaints to authorities in those jurisdictions.

The **Summit County Office of Consumer Affairs** in Ohio obtained nearly \$20,000 in restitution from an out-of-state company that advertised computers for sale for \$179. The company claimed that the computers were worth \$600 but that it was selling them for less than a third of that amount as part of a new national program to make computers more affordable. But the computers that consumers got were cheap netbooks, barely worth what they paid for them. More than 100 consumers received refunds and the company agreed to stop sales and advertising in Summit County.

Under a new law, the **Tennessee Consumer Affairs Division** became the regulator for debt management services that operate in the state. The new licensing function has enhanced the consumer agency's ability to resolve complaints and ensure that debt management services comply with their legal requirements.

The biggest achievement for the **Utah Division of Consumer Protection** last year was creating an online registration tool for charitable organizations, eliminating the need to file by paper.

### **Public Information and Outreach**

The **Cambridge Consumers' Council** in Massachusetts partnered with the U.S. Postal Service, the Federal Trade Commission, the local mayor's office and the state consumer affairs office last year to hold a "shred-a-thon." More than 150 residents participated, shredding a total of 3,340 pounds of paper and receiving educational information about identity theft.

The biggest achievement for the **Fairfax County Department of Cable and Consumer Services** last year was developing a consumer education webpage that enables people to view the agency's presentations, programs, podcasts, tip sheets, and other information. The **New York State Consumer Protection Board** also made major improvements to its popular website. Working with technology experts from another state agency, it launched a new site that incorporates RSS feeds, access to streaming videos, Twitter, consumer alerts, and other features.

The **Florida Department of Agriculture and Consumer Services** launched a new complaint look-up page on its website last year. There consumers can find the number of complaints against businesses and how they were resolved. If it is a business that is required to be registered with the agency, the type, number, issue date, and current status of the license are also provided. Information can be searched by business name, keyword, license number, telephone number, location, and type of business.

The name of the consumer agency in Georgia was changed last year from the **Governor's Office of Consumer Affairs** to the **Governor's Office of Consumer Protection** to emphasize its consumer protection mission. The agency's website was also redesigned make it more dynamic, professional and modern-looking. The redesign enables consumers to find the information they are looking for more easily and showcases breaking consumer news and alerts through a slideshow of rotating images. The agency also began to disseminate a consumer advice column, "Ask Consumer Ed," to newspapers and various groups. It also appears in a blog format on the agency's special educational website, ConsumerEd.com. Consumers can send in questions, subscribe to the column, and share it with others via Twitter, Facebook, email and more.

The biggest achievement for the **Maryland Attorney General's Consumer Protection Division** last year was receiving a federal grant to expand the services it offers through its Health Education and Advocacy Unit (HEAU). Originally established in 1986 to educate and assist consumers with issues concerning health care bills, insurance coverage, and medical equipment warranties, in 1998 the HEAU was designated by state law to advocate on behalf of consumers challenging adverse decisions by their health insurers. In 2010, the HEAU was cited as a model program when the federal health reform law mandated grant funding for consumer assistance

programs nationwide. With the recent grant, the HEAU will be able to provide more help to consumers as they explore their options in the changing marketplace for health insurance.

The **Montana Department of Justice** created a “scam alert” program last year. Consumers can now sign up to receive warnings by email whenever the agency detects new patterns of fraud.

Consumer education was a major focus of the **North Dakota Attorney General’s Office** last year. Agency staff made presentations to groups in person and electronically, reaching people of all ages, from kindergarten students to seniors. The agency also partnered with a human services office to create materials and conduct training for bank employees about how to recognize the possibility that elderly customers might be victims of financial exploitation or fraud.

A partnership with CFA, the state attorney general, and banks and credit unions to educate consumers about fake check scams was cited as the **Virginia Department of Agriculture and Consumer Service’s** biggest achievement last year. As one element of the project, the financial institutions agreed to provide a brochure developed by CFA about fake check scams to every consumer who came in to deposit checks for \$1000 or withdraw \$100 or more. The consumer agency also used the brochure and an accompanying PowerPoint presentation in its public outreach, not only to consumers but to consumer educators. For instance, the agency used the materials in a presentation to high school teachers at the Personal Finance Institute for Teachers.

The **West Virginia Attorney General’s Office** teamed up with AARP, the Financial Industry Regulatory Agency, and other government agencies and private sector groups to conduct a “Smart Money Week” last year. Several financial education programs were conducted around the state. In addition, the agency has expanded its public outreach, using 7 field representatives in various parts of the state to provide consumer education. The agency is also using Facebook, Twitter and YouTube to reach consumers.



## **Consumer Agencies' Biggest Challenges in 2010**

When asked about the biggest challenges they faced during the survey period, dealing with budget cuts and limited resources was cited by half of the agencies that responded to the question. Other challenges included keeping up with technology and the evolving nature of fraud, maintaining visibility and continuity, limitations on enforcement powers, implementing new laws, addressing new complaint trends, and operating in the midst of flooding.

### **Dealing with Budget Cuts and Limited Resources**

In the first few months of the 2010 fiscal year, it was not clear whether the **Broward County Permitting, Licensing, and Consumer Protection Division** in Florida would have any funds for its consumer complaint handling function. Ultimately that function was preserved, but the staff size was reduced to the point where there were 150 open complaints for each case worker. That was unmanageable, so the consumer agency had to cut back on the types of complaints it handles. For instance, it no longer takes landlord/tenant security deposit disputes, complaints about Internet transactions, complaints from consumers who do not live in Florida, or complaints involving amounts less than \$200.

For the **District of Columbia Attorney General's Office**, the biggest challenge last year was assuming full responsibility for all consumer complaints following the closure of the **DC Department of Consumer and Regulatory Affairs Office of Consumer Protection**, which had investigated and mediated complaints.

The **Gloucester County Office of Consumer Affairs, Weights and Measures** in New Jersey also felt the impact of budget cuts, but at least it is still functioning. Three other county consumer agencies in the state – Atlantic, Cumberland and Camden – closed due to budget shortfalls. When possible the agency takes complaints from neighboring counties that don't have an office, but its resources are stretched thin. Unfortunately, errant businesses may be emboldened by the lack of agencies at the local level keeping a watchful eye on them.

For the **Florida Department of Agriculture and Consumer Services**, implementing its new authority over professional surveyors and mappers without the addition of new personnel was the biggest challenge it faced last year. The consumer agency created a streamlined process for tracking complaints, developed form letters to use, and designated two investigators to focus on complaints about these services.

The biggest challenge for the **Hillsborough County Consumer Agency** in Florida last year was that it only had 30 days to set up the "pain management clinic" regulation enforcement program after the local ordinance was voted in on an emergency basis. No additional personnel were provided and the agency had to "start from scratch" to implement the law. Fortunately, the costs for enforcement are covered by the application and licensing fees that these clinics must now pay.

At the **Los Angeles County Department of Consumer Affairs** in California, the agency sought to find internal efficiencies so that consumers would be impacted as little as possible by the budget cuts it suffered. The problem of limited resources was compounded by an increase in

complaints about out-of-state businesses, which are usually harder to track down and take action against than companies located within the county or even the state. The **Montgomery County Office of Consumer Protection** in Maryland also dealt with budget cuts by streamlining operations, particularly licensing and administrative programs. One helpful factor has been recruiting highly qualified volunteers and interns to assist investigators with special projects and case management. Operational efficiencies and better coordination with other state agencies have also helped the **Utah Division of Consumer Affairs** cope with budget cuts.

The **Maryland Attorney General's Consumer Protection Division** also had to do "more with less" last year. Staffing decreased, and furloughs reduced working hours. To cope, responsibilities have been redistributed and the staff members are sharing duties and working in teams to provide services as effectively as possible.

A judicial assistance grant helped the **Orange County Consumer Fraud Unit** in Florida retain its paid intern, who would otherwise have been let go due to budget cuts. The grant also helped the agency replace office equipment that badly needed upgrading.

One way that the **Pinellas County Justice and Consumer Services Office** in Florida dealt with budget cuts and reduced staffing last year was by instituting a new case triage process. All new complaints now go through this process, in which they are ranked by priority. Cases that meet the consumer agency's criteria for investigation are immediately assigned to investigators so that there is no undue delay in pursuing them.

The **Summit County Office of Consumer Affairs** in Ohio noted that budget cuts have curtailed funding for conferences that provide opportunities for networking and training. These are essential to help agencies keep on top of the latest scams, learn about new investigative tools and techniques, and coordinate activities.

Budget cuts forced the **Virginia Department of Agriculture and Consumer Services** to close another regional office last year. Of the four regional offices that the agency once operated, only one is left now. This has resulted in a higher caseload at the main office and presented other challenges. For instance, the regional office staffs had developed contacts with local businesses and specific strategies for handling the complaints they received. The agency has tried to retain those contacts and develop a more streamlined approach to handling complaints.

### **Other Challenges**

The **Bucks County Consumer Protection, Weights and Measure Office** in Pennsylvania noted an increase in multiple complaints against the same businesses. As a result, mediators find themselves having to deal with several consumers at the same time. At the **New York State Consumer Protection Board**, a trend toward more complex cases resulted in lengthier negotiations to try to resolve them.

The **Cambridge Consumers' Council** in Massachusetts cited dealing with the evolving nature of fraud as its biggest challenge last year, especially given its small staff and limited resources. Internet-related complaints were particularly challenging since it is often difficult to locate or

contact the businesses. The consumer agency found that the best way to meet this challenge was by partnering with other local, state and federal agencies and emphasizing consumer education about scams. The **North Dakota Attorney General's Office** also cited the evolution of fraud due to technology and globalization as its biggest challenge, noting that there is very little training available to help its investigators keep up with the use of technology by fraudsters.

Partnerships were also important to help the **Fairfax County Department of Cable and Consumer Protection** in Virginia deal with complaints in subject areas such as medical billing that do not fit squarely within the state consumer protection law. It developed working relationships with the state medical boards and other state agencies and with federal agencies such as the FBI and the Inspector General at the US Dept of Health and Human Services for help with certain types of complaints.

Abusive debt collection practices were the second most common complaints made to the **Georgia Governor's Office of Consumer Protection** last year. The state is home to a number of attorneys operating as debt collection companies and collecting from consumers nationwide. The agency's enforcement efforts suffered a severe setback last June when the Georgia Supreme Court ruled that it does not have jurisdiction over attorneys or law firms that are engaged in debt collection.

Visibility is a challenge for many state and local consumer agencies – consumers need to know that they exist and how they can help them. Last year the **Howard County Office of Consumer Affairs** in Maryland sought to enhance its visibility by launching Facebook and Twitter postings.

Continuity is also a challenge for state and local consumer agencies, especially those with small staffs. Last year when the long-time Executive Director of the **Consumer Assistance Council** in Massachusetts retired, the interview, hiring and training process for his replacement required considerable time and resources. A similar situation occurred at another agency in the state, the **Consumer Assistance Office – Metro West**, when both of its co-directors left at the same time. One positive aspect of transition, however, is that it provides an opportunity to look at things from a fresh perspective, update materials, and improve procedures. The biggest challenge that the agency faced last year was how technology is changing interactions with the public. More consumers want to use email to communicate, but the agency does not have the capacity to scan complaints and related documents sent that way or to handle the volume of email correspondence. Furthermore, the grant funds that it receives from the state of Massachusetts to help fund its operations can't be used for computer equipment, so the agency is struggling to upgrade its antiquated systems in order to improve its ability to use the Internet for research and provide the faster service that consumers now expect.

After Montana enacted a new 36 percent cap on interest rates for advance fee and payday loans last year, the brick and mortar loan sharks shut down. But as an unanticipated result, consumers began to turn to online payday lenders. The biggest challenge for the **Montana Department of Justice** was to identify and notify these lenders about the cap and the new \$300 limit on the amount of such loans, and to enforce the state law against those companies.

The biggest challenge that the **Tennessee Division of Consumer Affairs** faced last year was the flooding that engulfed Nashville. Many people lost their homes and businesses were

devastated. Because the building that houses the consumer agency closed, it was forced to move to satellite offices in the state law enforcement training academy ten miles out of downtown. But within days the agency was up and running again, providing consumers with information about how to get services and taking complaints about safety issues and problems with housing and construction.

The **West Virginia Attorney General's Office** cited federal preemption as its biggest challenge last year, especially in complaints about mortgages and other credit issues involving national banks.

## **Methodology**

Thirty one state, county, and city agencies from 18 states responded to the survey, which was conducted from March to May 2011. They were drawn from the memberships of Consumer Federation of America, the National Association of Consumer Agency Administrators, and the North American Consumer Protection Investigators. The survey respondents represent a cross-section of the state and local consumer protection agencies that serve the public across the United States. They are listed in Appendix A. Most are government agencies; two, the Metro West Consumer Assistance Office and the Consumer Assistance Council, are nonprofit entities that receive funds from the Massachusetts Attorney General's Office to handle complaints.

The survey covers a one-year period, in most cases January through December 2010 (some agencies keep records on a different basis, such as July through June; all were asked for data for the most recent 12-month period available).

Since there is no uniform set of complaint categories that all agencies use, the survey posed open-ended questions such as "List the top ten subjects of complaint to your agency received during the survey period." Some agencies use general complaint categories, while others break complaints into more specific categories. For instance, some record all car-related complaints in "Auto," while others have separate categories for new car sales, used car sales, auto repairs, and auto leasing. Complaints about telephone services may be in utilities or in a separate category for communications services. CFA grouped complaints under general subject headings as necessary.

The total number of complaints that the agencies received during the survey period was 252,009. This does not include letters, emails or phone calls from consumers asking for advice. The total amount recovered and saved for consumers was \$208,181,200.

Agencies were asked to provide examples of complaints. Not all did so, and in the examples that were provided, the names of the businesses were not always included. In some cases, that information is not publicly available because the investigation is ongoing or because of the terms of a settlement. When business names were provided, CFA included them in the report.

This report shows the most common complaints made to state and local consumer protection agencies during the survey period. Since it is not based on a random survey of consumers, it does not necessarily provide an accurate measure of the problems that consumers encounter in the marketplace. Some consumers do not complain about their problems to anyone, and of those who do, some may complain to other entities such as federal agencies or Better Business Bureaus. There are also specialized agencies at the state and federal level that take certain types of complaints, such as those against securities dealers. State and local consumer protection agencies tend to receive complaints about "bread and butter" problems that affect consumers' daily lives – problems with cars, credit, housing, brick and mortar and online merchants, fraud, utilities and other basic services. These are reflected in this report.

## Appendix A

### Agencies Participating in the 2010 Consumer Complaint Survey

#### **California**

California Department of Consumer Affairs  
[www.dca.ca.gov](http://www.dca.ca.gov)

Los Angeles County Department of Consumer Affairs  
[www.dca.lacounty.gov](http://www.dca.lacounty.gov)

San Francisco District Attorney's Office Consumer Protection Unit  
[www.sfdistrictattorney.org/page.asp?id=61](http://www.sfdistrictattorney.org/page.asp?id=61)

#### **Connecticut**

Connecticut Department of Consumer Protection  
[www.ct.gov/DCP/](http://www.ct.gov/DCP/)

#### **District of Columbia**

District of Columbia Attorney General's Office  
<http://oag.dc.gov/DC/OAG/Services+for+the+Community/Consumer+Protection+and+Antitrust>

#### **Florida**

Broward County Division of Permitting, Licensing and Consumer Protection  
[www.broward.org/permittingandlicensing](http://www.broward.org/permittingandlicensing)

Florida Department of Agriculture and Consumer Services  
[www.800helpfla.com](http://www.800helpfla.com)

Hillsborough County Consumer Protection Agency  
[www.hillsboroughcounty.org/consumerprotection/](http://www.hillsboroughcounty.org/consumerprotection/)

Orange County Consumer Fraud Unit  
[www.ocfl.net/fraud](http://www.ocfl.net/fraud)

Pinellas County Department of Justice and Consumer Services  
[www.pinellascounty.org/consumer](http://www.pinellascounty.org/consumer)

#### **Georgia**

Georgia Governor's Office of Consumer Protection  
[www.consumer.georgia.gov](http://www.consumer.georgia.gov)

#### **Hawaii**

Hawaii Department of Commerce and Consumer Affairs  
[www.hawaii.gov/dcca/ocp](http://www.hawaii.gov/dcca/ocp)

#### **Maryland**

Howard County Office of Consumer Affairs  
<http://consumer.howardcountymd.gov>

Maryland Attorney General's Consumer Protection Division  
[www.oag.state.md.us/consumer/](http://www.oag.state.md.us/consumer/)

Montgomery County Office of Consumer Protection  
[www.montgomerycountymd.gov/consumer](http://www.montgomerycountymd.gov/consumer)

#### **Massachusetts**

Cambridge Consumers' Council  
[www.cambridgema.gov/consumercouncil.aspx](http://www.cambridgema.gov/consumercouncil.aspx)

Consumer Assistance Council  
[www.consumercouncil.com](http://www.consumercouncil.com)

Consumer Assistance Office – Metro West  
[www.consumermetrowest.org](http://www.consumermetrowest.org)

Northwestern District Attorney's Office  
[www.northwesterndistrictattorney.org/consumer\\_protection.html](http://www.northwesterndistrictattorney.org/consumer_protection.html)

#### **Montana**

Montana Department of Justice  
[www.doj.mt.gov/consumer/](http://www.doj.mt.gov/consumer/)

#### **New Jersey**

Gloucester County Office of Consumer Affairs, Weights and Measures  
[www.co.gloucester.nj.us/Government/Departments/ConsumerAffairs/main.cfm](http://www.co.gloucester.nj.us/Government/Departments/ConsumerAffairs/main.cfm)

**New York**

New York State Consumer Protection Board (now the Division of Consumer Protection in the New York Department of State)  
[www.nysconsumer.gov](http://www.nysconsumer.gov)

**North Dakota**

North Dakota Attorney General's Office  
[www.ag.nd.gov/cpat/CPAT.htm](http://www.ag.nd.gov/cpat/CPAT.htm)

**Ohio**

Ohio Attorney General's Consumer Protection Section  
[www.ohioattorneygeneral.gov/consumers](http://www.ohioattorneygeneral.gov/consumers)

Summit County Office of Consumer Affairs  
[www.co.summit.oh.us/conaffairs.htm](http://www.co.summit.oh.us/conaffairs.htm)

**Pennsylvania**

Bucks County Consumer Protection, Weights and Measures Office  
<http://www.buckscounty.org/government/departments/communityservices/consumerprotection/index.aspx>

**Tennessee**

Tennessee Division of Consumer Affairs  
[www.tn.gov/consumer/](http://www.tn.gov/consumer/)

**Utah**

Utah Division of Consumer Protection  
[www.consumerprotection.utah.gov](http://www.consumerprotection.utah.gov)

**Virginia**

Fairfax County Department of Cable and Consumer Services  
[www.fairfaxcounty.gov/dccs/](http://www.fairfaxcounty.gov/dccs/)

Virginia Department of Agriculture and Consumer Services  
[www.vdacs.virginia.gov/consumer/](http://www.vdacs.virginia.gov/consumer/)

**West Virginia**

West Virginia Attorney General's Office  
[www.wvago.gov/consumers.cfm](http://www.wvago.gov/consumers.cfm)

## Appendix B

### **How Consumers Can Protect Themselves Tips from the 2010 Consumer Complaint Survey Report**

#### **Auto**

*If a used car doesn't operate as it should, you may have specific rights. Ask your state or local consumer protection agency for advice.*

*In addition to filing a complaint with their state or local consumer protection agency, consumers should report defective tires and other auto safety problems to the manufacturer and to the National Highway Traffic Safety Administration. Call NHTSA at 888-327-4236 (TTY 800-424-9153), or go to [www.nhtsa.gov/Vehicle+Safety/Recalls+&+Defects](http://www.nhtsa.gov/Vehicle+Safety/Recalls+&+Defects). Keep notes and copies of police reports, repair bills and other documentation.*

*If a car repair doesn't fix the problem, get a second opinion from a trusted mechanic.*

*Only do business with auto repair shops that you know and trust or that have good reputations based on other people's experiences. If you have any doubts about the diagnosis of your car's problem, bring it to another shop for a second opinion if possible.*

*You can search for official recalls at the National Highway Traffic Safety Administration's website, [www-odi.nhtsa.dot.gov/recalls/recallsearch.cfm](http://www-odi.nhtsa.dot.gov/recalls/recallsearch.cfm). Not all problems show up as recalls, however; manufacturers sometimes just issue service bulletins to their dealers. If you think that your car's problem may not be isolated, ask a dealer if there are any relevant service bulletins.*

#### **Credit/Debt**

*It's illegal for debt collectors to call with annoying frequency. Consumers also have the right to request in writing that debt collectors stop contacting them. See information at [www.ftc.gov/bcp/edu/pubs/consumer/credit/cre18.pdf](http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre18.pdf).*

*Many states limit fees for debt settlement services. While there is no federal fee cap, federal rules prohibit debt settlement and other for-profit debt relief services from charging fees until they've actually obtained a satisfactory solution for consumers. There are some exceptions; see information at [www.ftc.gov/bcp/edu/pubs/consumer/credit/cre02.pdf](http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre02.pdf).*

*It is now illegal for mortgage relief assistance services to charge you until they have gotten an offer in writing from your mortgage lender to modify your loan and you have accepted it. See information at [www.ftc.gov/bcp/edu/pubs/consumer/credit/cre42.pdf](http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre42.pdf).*

*If you used credit card points to pay for a trip and you need to cancel because of your health, you might not be entitled to get your points back. Check the company's policies and consider buying trip insurance if there is the possibility that you may not be able to travel.*



*Steer clear of anyone who asks for a fee upfront to provide a loan for personal or business purposes. These are scams that will leave you worse off than you were before.*

*Title loans, payday loans and other short-term loans are typically very expensive and can trap you in a never-ending cycle of debt. Plus in the case of title loans you could lose your car if you can't make your payments. Set aside as much money as you can on a regular basis to cover big purchases or unexpected expenses. Even small savings add up over time.*

*If you're having trouble making your house payments, contact your mortgage servicer (where you make your payments) and ask for a "loan modification." You can also get help from housing counselors approved by the U.S. Dept. of Housing & Urban Development. Call 800-569-4287 or go to [portal.hud.gov/hudportal/HUD?src=/i want to/talk to a housing counselor](https://portal.hud.gov/hudportal/HUD?src=/i%20want%20to%20talk%20to%20a%20housing%20counselor). More information about modifications is at [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov).*

*Federal law gives you the right to dispute debts you don't owe and to contest inaccurate information on your credit report. It's also illegal for debt collectors to falsely threaten legal action, use obscene language, or make any threats about bodily harm.*

*If you're struggling to pay your credit cards or other non-mortgage debts, contact your creditors directly to try to get lower interest rates or reach some other solution. If that's unsuccessful, try a non-profit credit counseling service. There may be a small fee, but most non-profit credit counseling services will provide advice even if you can't afford to pay. They will explain your choices, including bankruptcy, and they may be able to set up a plan with your creditors to help you pay off your debts over a set period of time. To find a counseling service near you, contact the National Foundation for Credit Counseling, [www.nfcc.org](http://www.nfcc.org) or 800-388-2227.*

*It is now illegal for mortgage relief assistance services to charge you until they have gotten an offer in writing from your mortgage lender to modify your loan and you have accepted it. If you're having trouble making your house payments, contact your mortgage servicer (where you make your payments) and ask for a "loan modification." You can also get help from housing counselors approved by the U.S. Dept. of Housing & Urban Development. Call 800-569-4287 or go to [portal.hud.gov/hudportal/HUD?src=/i want to/talk to a housing counselor](https://portal.hud.gov/hudportal/HUD?src=/i%20want%20to%20talk%20to%20a%20housing%20counselor). More information about modifications is at [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov).*

*Federal rules now prohibit debt settlement and other for-profit debt relief services from charging fees until they've actually obtained a satisfactory solution for consumers. There are some exceptions; see information at [www.ftc.gov/bcp/edu/pubs/consumer/credit/cre02.pdf](http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre02.pdf). If you're struggling to pay your credit cards or other non-mortgage debts, contact your creditors directly to try to get lower interest rates or reach some other solution. If that's unsuccessful, try a non-profit credit counseling service. There may be a small fee, but most non-profit credit counseling services will provide advice even if you can't afford to pay. They will explain your choices, including bankruptcy, and they may be able to set up a plan with your creditors to help you pay off your debts over a set period of time. To find a counseling service near you, contact the National Foundation for Credit Counseling, [www.nfcc.org](http://www.nfcc.org) or 800-388-2227.*

*If you have a medical bill that should be covered by insurance, be sure you know whether the health service provider will submit it to your insurer or if you need to do so. If there is a problem with getting the bills paid, ask your state or local consumer protection agency for advice. Many states have specific programs that assist consumers with health insurance problems. See [www.healthcare.gov/law/provisions/cap/index.html](http://www.healthcare.gov/law/provisions/cap/index.html).*

*If you are selling a car or something else that has an outstanding loan on it, be aware that you will be held responsible by the lender if the loan is not paid off.*

*Review your credit card and bank account statements carefully and notify your card issuer or bank immediately if you find anything questionable. It may be more difficult to resolve problems later because of legal time limits and the possibility that the billing records may no longer exist.*

## **Fraud**

*Beware of emails from unfamiliar companies or individuals offering easy ways to make money working at home. Their real aim is to steal your money, not to help you earn it.*

*No legitimate sweepstakes operator would ever ask you to pay to claim a prize – it's illegal. If you had really won, you'd pay the taxes directly to the government.*

*It's illegal to play lotteries across the U.S. border; you must actually go to the foreign country to buy a ticket. If you haven't done so and you're notified that you've won, it's a scam.*

*Own a timeshare that you want to unload? Avoid resale companies that take upfront fees no matter whether they ultimately succeed in selling your timeshare or not. And don't throw good money after bad by paying another company to "recover" the money you've already given to a timeshare reseller. Ask the company that manages the timeshare property what your options are. You may also want to consult with a licensed realtor.*

*Don't pay a "recovery service" to try to get your money back from a business. These services can't do anything that you can't do yourself, and many are outright scams. If you paid the business through a credit card, a debit card, your telephone carrier, or a service such as PayPal, you may be able to dispute the payment. You may also be able to get help free from your state or local consumer protection agency.*

*Even if you don't have grandchildren, you may be targeted by a variation of the "grandparent scam." For tips and to watch a funny video, go to [www.consumerfed.org/fraud](http://www.consumerfed.org/fraud).*

*If you have a question or a problem concerning a tax bill, contact the government agency that issued it directly. You may be able to get the answer or resolve the problem easily yourself. If you need professional help, consult with a reputable accountant or attorney in your area.*

## **Health Products and Services**

*Even well-established, reputable businesses can close unexpectedly. In many states, certain types of businesses, such as health clubs, are required to be bonded, but sometimes there isn't*

*enough money in the bond to cover all claims. The safest way to pay for health club memberships is on a monthly basis, because you can stop the payments if the facility closes. Your state or local consumer protection agency can explain your rights concerning health clubs.*

*If you have a medical bill that should be covered by insurance, be sure you know whether the health service provider will submit it to your insurer or if you need to do so. If there is a problem with getting the bills paid, ask your state or local consumer protection agency for advice. Many states have specific programs that assist consumers with health insurance problems. See [www.healthcare.gov/law/provisions/cap/index.html](http://www.healthcare.gov/law/provisions/cap/index.html).*

### **Home Improvement/Construction**

*Contractors often ask for payments as the work goes along to cover the cost of supplies and subcontractors. Make sure your payments are proportionate to the supplies that have been ordered and the work that has been done, and never pay in full before the job is completed.*

*Before hiring a contractor, check the complaint records with the BBB and your state or local consumer protection agency and, if there are any licensing or registration requirements, check to make sure that the contractor is in compliance. Pay only a small amount upfront.*

*New home construction is an expensive investment. Get all promises in writing and, if there is a warranty, bring any problems to the builder's attention within the time period required. Your local building or health inspector may be able to help resolve issues. In some cases it may be necessary to hire an expert to determine what the problem is and how to correct it.*

*Consumers whose homes are damaged by natural or man-made disasters are vulnerable to shady contractors who swoop in to offer help. No matter the situation, find out if there are any licensing or registration requirements in your state and if the contractor is in compliance. Also check the contractor's complaint records. Don't sign anything until you're sure that this is the contractor you want to hire.*

### **Home Solicitations**

*Don't be pressured into a deal with a telemarketer or a salesperson that appears at your door. Ask for written information about the offer and check out the company before agreeing to anything. Federal law gives you the right to cancel door-to-door sales of \$25 or more within 3 business days. Some states also have cancellation laws for door-to-door or telemarketing sales.*

*Don't hire driveway pavers, painters, or other itinerant companies that show up uninvited at your door. These are usually scammers whose only interest is to take your money and run.*

*There is always some risk involved when you pay in advance for goods or services that will be delivered later. You can reduce the risk by doing business with companies you know and trust or that you've thoroughly checked out before handing over your money.*

*You can reduce unwanted telemarketing calls by signing up for the "Do Not Call" registry operated by the Federal Trade Commission. It's easy and it's free. Go to [www.donotcall.gov](http://www.donotcall.gov) or*

*dial 888-382-1222 from the phone number that you want to register. You can also register cell phone numbers. If you believe that your “do not call” rights have been violated, contact your state or local consumer protection agency and the FTC.*

### **Household Goods**

*Before you buy a used mattress, check with your state or consumer protection agency to learn if there are any public health requirements and confirm that the seller has complied with them.*

*Avoid companies that use high-pressure sales tactics and promise financing for expensive items such as computers. Shop around, and if you can’t afford to pay cash, explore whether lay-away plans are available at local stores, or set aside money every week until you have enough saved.*

### **ID Theft**

*ID theft can happen to people of any age. Children’s personal information is especially useful to people who have legal or credit problems because it is unblemished. Parents or guardians who discover that children are victims should try to work with the major credit bureaus to resolve the problems. See [www.idtheftcenter.org/artman2/publish/v\\_art\\_solutions/Solution\\_5.shtml](http://www.idtheftcenter.org/artman2/publish/v_art_solutions/Solution_5.shtml).*

*Many states now require consumers to be notified if the personal data that companies or others hold about them has been lost or accessed illegally. Your state or local consumer protection agency can provide information about your rights in these situations.*

### **Internet Sales**

*Use care when buying a car that is advertised online, especially if the seller is far away, since it may be difficult to get your money back if the deal goes bad.*

*It can be risky to buy expensive items from unfamiliar companies on the Internet. Pay with a credit card because federal law gives you the right to dispute the charges if the goods aren’t delivered or were misrepresented. Contact your credit card issuer immediately if there is a problem.*

*Be wary of “free” offers on the Internet; there are usually strings attached. Look at the terms of the offers carefully and note on your calendar if you have to cancel by a certain date to avoid being charged. Review your credit card and bank account statements promptly. If you discover charges or debits that you don’t agree with, contact your card issuer or bank immediately.*

### **Landlord/Tenant**

*Tenants who can’t resolve health or safety problems with their landlords should contact their state or local consumer protection agency for advice about their rights and options.*

*Not sure of your rights as a tenant or your responsibilities as a landlord? Information is available from your state or local consumer protection agency.*

## **Retail Sales**

*Don't allow smooth-talking salespeople to persuade you to buy something that you don't really need or want. Depending on the return policy, you may not be able to change your mind and get your money back.*

*Products should perform as you would expect them to for a reasonable period of time. If a product breaks down repeatedly, you may have the right to insist on a replacement or a refund.*

*Read the terms of coupons carefully. If you believe that they weren't adequately clear and you are unable to resolve the issue yourself, contact your state or local consumer protection agency.*

## **Services**

*Never pay the full amount for yard work or other services before they are completed.*

*When professional services require a permit, ask to see it to be sure that it's been properly obtained before the work begins.*

*Handling the arrangements after a death can be stressful. But just as with other major consumer purchases, it's important to get a contract that specifies what will be done and when, and to follow up with the seller if the products or services are not provided on time.*

## **Towing**

*Look carefully at the signs around parking lots to make sure that it's OK before leaving your car. If your car is towed and you believe that the warnings were inadequate, pay the towing charge to avoid storage fees, and then ask your state or local consumer protection agency for advice about how to contest the towing.*

## **Utilities**

*Before signing up for telephone, Internet, cable or satellite TV, read the fine print carefully and ask questions to be sure you understand the billing and termination policies. Get a written contract or a print-out that includes all the terms of the deal.*

*If you believe that your utility bill is incorrect, you may have certain rights under state law; check your bill for instructions about how to dispute it. But even if the charges are correct, the company may be willing to make an adjustment if there are unusual circumstances. If you can't afford to pay all at once, the company may agree to installment payments.*