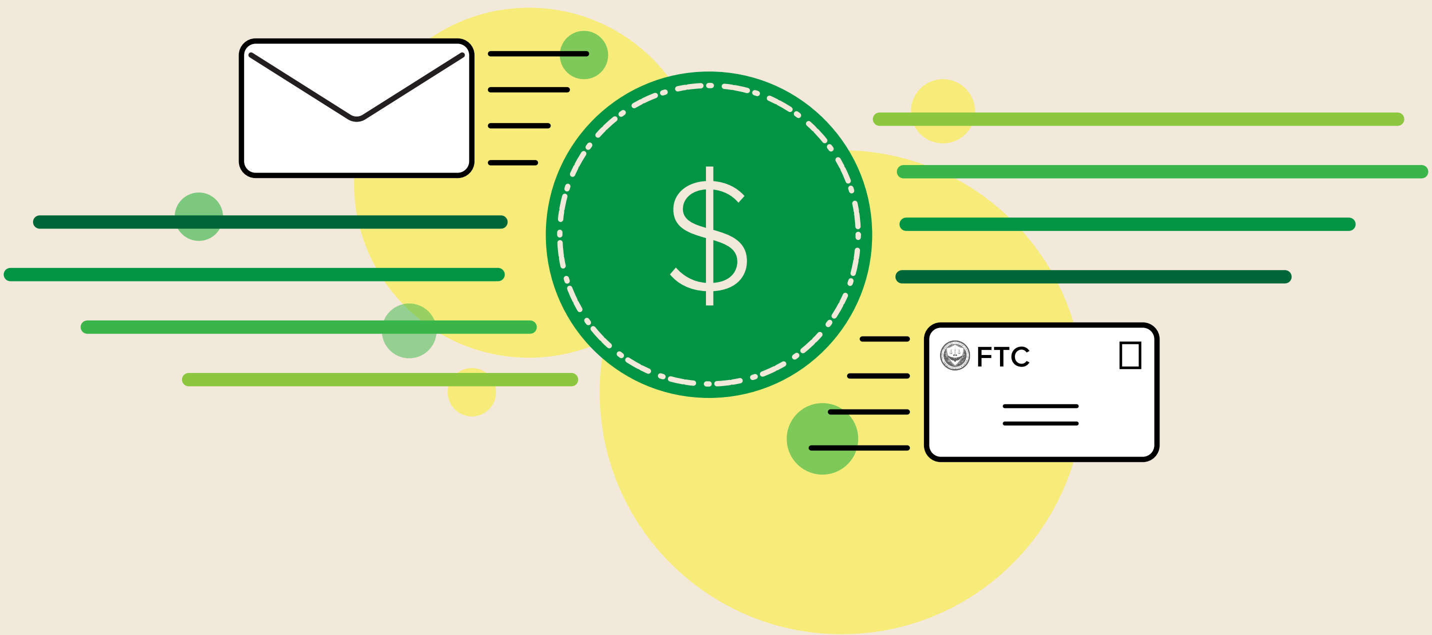


2019 FTC Annual Report on Refunds to Consumers

Office of Claims and Refunds, Bureau of Consumer Protection

Federal Trade Commission

18-MONTH SNAPSHOT

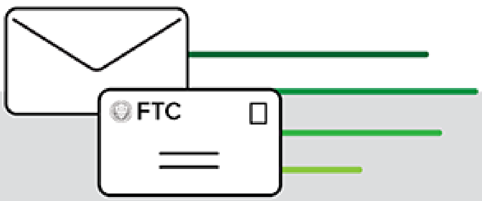
FTC Refunds to Consumers

July 1, 2018–December 31, 2019

$1.2 BILLION in refunds*

$542.9 MILLION in refunds directly from FTC

3.7 MILLION PEOPLE cashed FTC checks

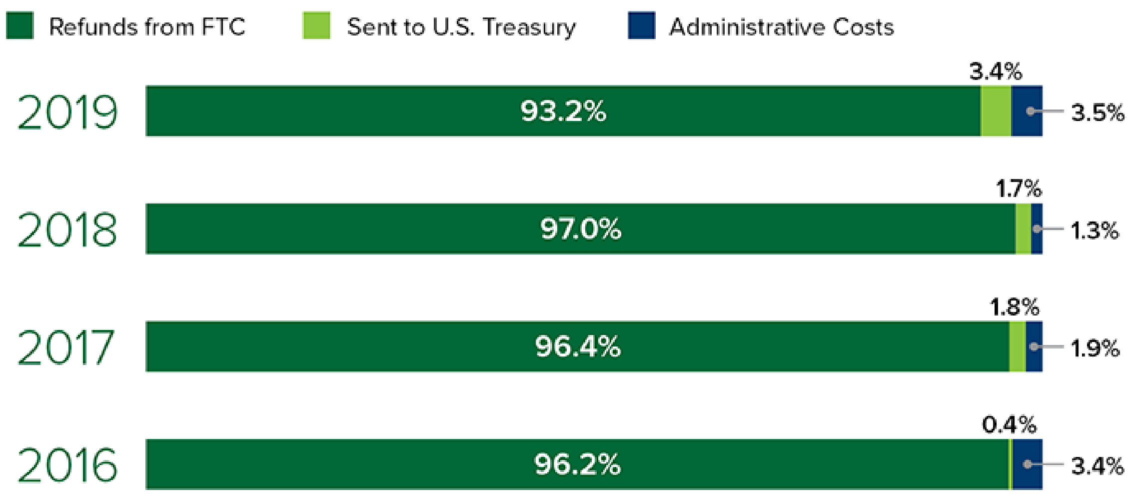


$5 MILLION sent to U.S. Treasury

1.6% administrative costs

Source:
Federal Trade Commission
FTC.gov/exploredata

Refund Percent Breakdown



*This total includes money returned to consumers as a result of all FTC cases, including refund programs administered by defendants and other federal agencies.

FTC Refunds to Consumers

The goal of FTC law enforcement actions is to stop illegal practices, and when possible, get refunds to people who lost money.

Once an FTC lawsuit or settlement is final and the defendants have paid the money the court orders, the Bureau's Office of Claims and Refunds develops a plan for returning that money to the right people. If there is money left over at the conclusion of the refund program, or if there is not enough money to provide meaningful refund amounts, then the FTC sends the money to the U.S. Treasury, where it is deposited into the General Fund.

Data on FTC refunds are available in interactive online dashboards. Users can explore refund data by case or by year to learn about **where** refunds were sent, the **dollar amounts** refunded, and the **number of people** who benefited from FTC refund programs.

With the release of our new interactive dashboards, the FTC will report refund numbers on a calendar-year basis. The infographic above covers the 18-month period between our last annual report and the end of calendar year 2019.

How the FTC Provides Refunds

Success in getting refunds to people depends principally on whether the FTC has a reliable list of customers, including their contact information and the amount of money they spent. In more than 80% of our cases, the FTC has this information, and it mails checks out to a list of known customers. In other cases, there is no list of known customers or there is insufficient contact information, and the agency must use a claims process to identify people who should receive a refund. There are at least six steps involved in every refund program:

1. Identify who is eligible for a refund.
2. Determine how the money will be divided.
3. Mail checks.
4. Update names and addresses as needed.
5. Consider whether an additional check mailing is feasible.
6. Send any remaining money to the U.S. Treasury.

Identifying who is eligible for a refund

FTC court orders typically require the company to provide a list of customers, their contact information, and how much each customer paid. If the agency obtains a reliable list of eligible recipients, then the agency mails checks directly to them. From July 2018 through the end of 2019, in cases where the FTC used company data to mail checks, an average of 64% of people on the list cashed their checks.

Without a list of customers with contact information, getting refunds out may require a claims process. In such cases, the people affected must apply for a refund. The agency might conduct a media campaign and use paid advertisements to let people know that refund money is available and encourage them to visit our website to apply. In other cases, the agency uses whatever minimal data is available, such as a consumer's email address, to tell consumers about the refund process. A claims process typically increases the administrative costs of the refund program. Generally, the FTC receives claims from 5% to 20% of potential claimants. From July 2018 through the end of 2019, in cases where there was a claims process, the average check cashing rate was 93%.

If there is no customer list and a claims process is not feasible, the agency's Consumer Sentinel Network database may be used to find eligible recipients. Consumer Sentinel contains millions of complaints from people who contacted the FTC, the Better Business Bureau, or other federal, state, and local law enforcement offices. The FTC may search for complaints related to the defendants and use the contact information in those complaints to create a list of potential refund recipients. This year, the agency used Consumer Sentinel data to send refunds in three cases. In these cases, the average check cashing rate was 89%.

Determining how the money will be divided

In cases where the court order does not specify the parameters of the refund program, the FTC determines eligibility criteria and the formula for calculating payments to eligible recipients. In cases where the settlement fund is not large enough to provide full refunds to every customer, the FTC analyzes the data to determine how much individuals will receive. Key factors that influence these decisions include administrative costs, the size of the refund to each recipient, how much variation there is between the lowest and highest loss amounts, and other details about the case. In most FTC cases, the money is distributed on a pro rata basis, meaning that each recipient receives an equal percentage of his or her total loss.

Mailing checks

The FTC has many mechanisms in place to verify the accuracy of the check mailing program and to confirm that only the approved recipients receive payment. First, unique identifiers are assigned to each potential claimant at the beginning of the case, which can be used to track that individual through the lifecycle of the refund program. FTC staff independently review each distribution authorization, check the proposed list of recipients against the master customer list, and investigate any discrepancies before approving a check mailing. The agency also conducts audits on closed cases to verify that only the rightful recipients received checks. In a claims process, we may ask for supporting documents or other information, and we apply analytical tools to root out false claims. Once checks have been mailed, the FTC carefully tracks how many checks get cashed and how much money makes it into the hands of affected consumers. From July 2018 through the end of 2019, the FTC completed 36 first-time mailings for FTC cases.

Updating names and addresses

A consistent challenge is finding the most current contact information for eligible recipients. Because court cases sometimes take years to resolve, the FTC has several tools for updating addresses.

Before mailing checks, every distribution list is checked against the National Change of Address (NCOA) system, which records change-of-address notices submitted to the U.S. Post Office. When a check is returned as undeliverable, the agency conducts an address search to determine if there is a more recent address for the consumer, and then reissues a new check to the updated address.

Considering whether an additional check mailing is feasible

After completing several rounds of address updates and check reissues, the FTC considers whether to use any remaining money to send a second round of checks to recipients who cashed their first check. For example, recipients might get a 50% refund with the first check and an additional 10% of their money back with the second check.

In general, if there are sufficient funds to provide a meaningful refund amount to recipients and to pay for the associated administrative costs, then the FTC sends a second round of checks. The FTC typically enforces a $10 minimum for checks we mail, but may mail smaller checks if there are sufficient funds to distribute. From July 2018 through the end of 2019, the FTC completed subsequent distributions in 23 cases.

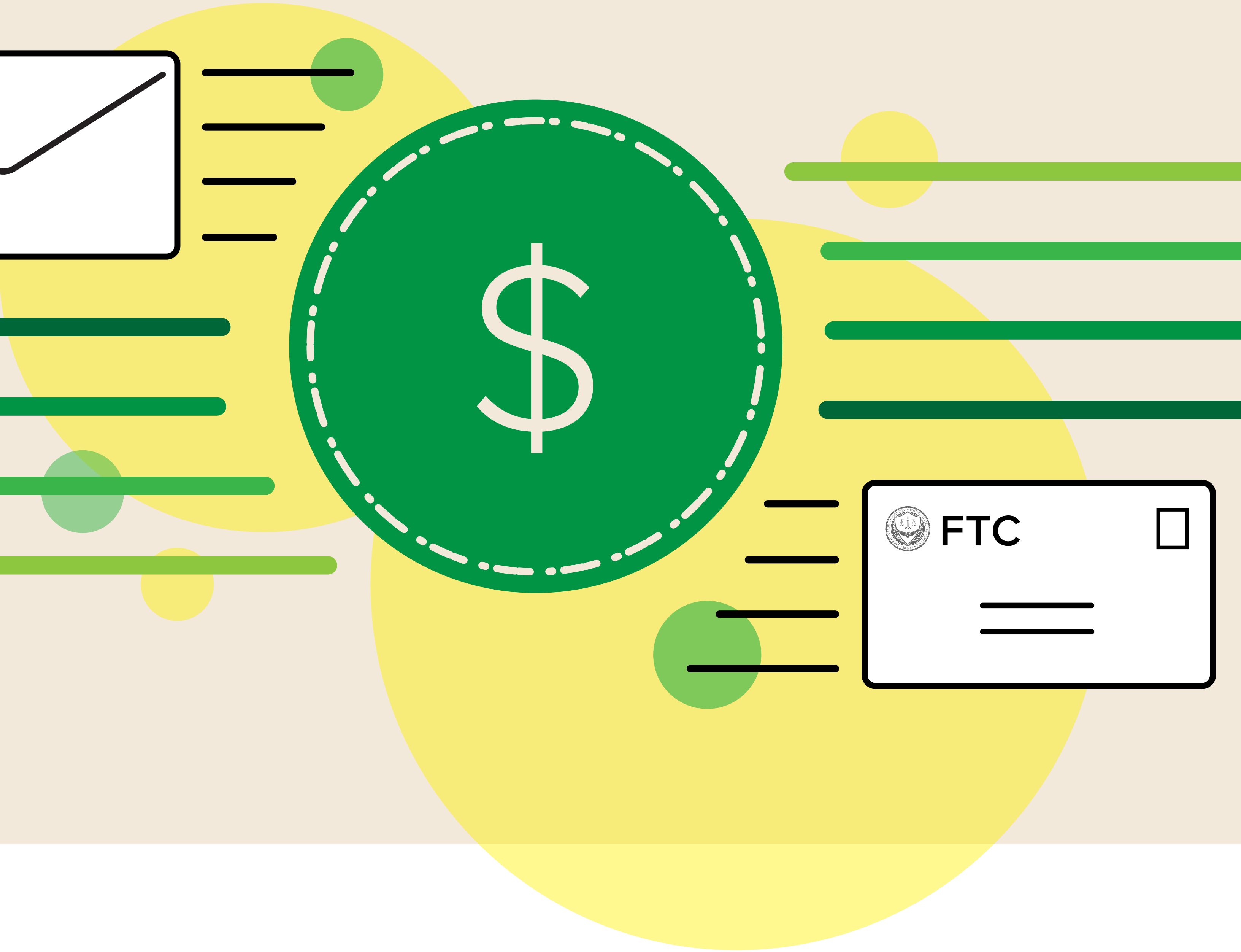
Sending any remaining money to the U.S. Treasury

Whenever possible, the FTC uses the money it collects from defendants to provide refunds to injured consumers and pay the related administrative costs. When a refund program is not feasible or there is money left over after the refund program is complete, the FTC sends unused funds to the U.S. Treasury, per the court order.

In most cases, the agency closes a refund program and sends the remaining money to the U.S. Treasury when there are insufficient funds available for another round of checks, or when known consumers have received full refunds. On average, the money sent to the U.S. Treasury after a refund program is complete accounts for less than five percent of the total funds collected. In fact, over the last four fiscal years, the agency has returned over $977 million to consumers, while sending just $15 million to the U.S. Treasury.

Refund Programs Administered by FTC Defendants and Other Federal Agencies

In rare circumstances, refunds resulting from FTC enforcement actions are provided directly by defendants or by another federal agency. FTC staff provides consultation and support where the court order requires the defendants—or another federal agency—to conduct a refund program. When the FTC determines that it is in the best interest of the affected consumers, the Enforcement Division engages in close oversight and monitoring of the program to ensure it complies with the order. In these cases, FTC staff provides guidance about the proposed refund program to make sure eligible claimants receive plain language instructions about how to apply for a refund. One recent example is the FTC's landmark settlement with Volkswagen that required the company to spend up to $10 billion on a buyback program for owners of VW and Audi diesel cars fitted with illegal emissions defeat devices.



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