



Office of the Secretary

UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION  
WASHINGTON, D.C. 20580

February 17, 2023

Director Rohit Chopra  
Consumer Financial Protection Bureau  
1700 G Street, NW  
Washington, DC 20552

Dear Director Chopra:

The Federal Trade Commission (FTC or Commission) engages in multi-faceted work covering the debt collection market and financial practices that impact consumers' debt burden, including implementing the Fair Debt Collection Practices Act (FDCPA) and other statutes. This letter and its appendix describe the efforts the Commission has taken in this area during 2022. We hope that the information in this letter will assist the CFPB in preparing this year's report to Congress concerning the federal government's efforts to implement the FDCPA.<sup>1</sup>

**I. LAW ENFORCEMENT ACTIVITIES**

Both the FDCPA and the FTC Act<sup>2</sup> authorize the Commission to investigate and take law enforcement action against illegal collection tactics and other unlawful practices affecting consumers' debt.<sup>3</sup>

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<sup>1</sup> The Dodd-Frank Act directed the CFPB to report to Congress on the federal government's implementation and administration of the FDCPA. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Pub. L. 111-203, § 1089, 124 Stat. 1376, 2092–93 (2010) (amending the Fair Debt Collection Practices Act, 15 U.S.C. §§ 1692–1692p). Before the enactment of the Dodd-Frank Act, Section 815(a) of the FDCPA, 15 U.S.C. § 1692m, required the FTC to report directly to Congress on these topics. The Commission submitted such annual reports from 1977 to 2011.

<sup>2</sup> FDCPA, 15 U.S.C. § 1692–1692p; FTC Act, 15 U.S.C. §§ 41–58.

<sup>3</sup> The FDCPA authorizes the Commission to investigate and take law enforcement action against debt collectors that engage in unfair, deceptive, abusive, or other practices that violate the statute. FDCPA § 814, 15 U.S.C. § 1692l. Under the FTC Act, the FTC may investigate and take law enforcement action against entities that engage in unfair or deceptive acts or practices. FTC Act § 5, 15 U.S.C. § 45.

## A. Debt Collection Issues Affecting Small Businesses

Protecting small businesses, in addition to individual consumers, is a high priority for the Commission.<sup>4</sup> While some statutes, including the FDCPA, involve household debt, the FTC Act empowers the FTC to take action to protect small business consumers. These actions highlight the type of deceptive and unfair debt collection conduct that exists regardless of whether the victim is a small business or individual consumer, and illustrate the measures the FTC has undertaken to combat such conduct.

For example, in *RCG Advances*, the FTC sued an enterprise and its owners for using illegal tactics, including unfair debt collection practices, when collecting on its merchant cash advances. The FTC alleges egregious behavior by defendants, such as death threats (“I will kill you”), and threats to harm business owners (“I am going to beat the s\*\*\* out of you”), their families (“I will take your daughters from you”), and their reputation (“I will hang papers all over the lampposts in Crown Heights stating that you are a liar and a thief”), among other outrageous statements.<sup>5</sup> Last year, the FTC announced two settlements with four of the five defendants involved in the scheme, permanently banning<sup>6</sup> them from the debt collection and merchant cash advance industries and requiring them to pay \$675,000 and \$2.7 million, respectively.<sup>7</sup> The FTC’s case against the remaining defendant continues in litigation.

In another enforcement action pertaining to small businesses, *American Future Systems* (AFS), the FTC and the Commonwealth of Pennsylvania sued the operators of a telemarketing scheme and a debt collection operation.<sup>8</sup> The AFS telemarketers allegedly billed organizations

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<sup>4</sup> For example, in *Yellowstone Capital*, a provider of merchant cash advances was ordered to pay more than \$9.8 million to settle charges that it took money from small businesses’ bank accounts without permission and deceived them about the amount of financing business owners would receive and other features of its financing products. In June 2022, the FTC announced that it sent 7,731 checks, totaling more than \$9.7 million, to eligible businesses that were harmed. See Press Release, Cash Advance Firm to Pay \$9.8M to Settle FTC Complaint It Overcharged Small Businesses (Apr. 22, 2021), available at <https://www.ftc.gov/news-events/press-releases/2021/04/cash-advance-firm-pay-98m-settle-ftc-complaint-it-overcharged>; Press Release, Federal Trade Commission Returns More Than \$9.7 Million To Small Businesses Harmed by Yellowstone Capital’s Merchant Cash Advance Operation (June 21, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/06/federal-trade-commission-returns-more-97-million-small-businesses-harmed-yellowstone-capitals>.

<sup>5</sup> *FTC v. RCG Advances, LLC. et al.*, 20-CV-4432 (S.D.N.Y. Apr. 8, 2022) (FTC’s Motion for Summary Judgment); see also Press Release, FTC Files Amended Complaint Seeking Civil Penalties Against Small Business Financing Providers (June 14, 2021), available at <https://www.ftc.gov/news-events/press-releases/2021/06/ftc-files-amended-complaint-seeking-civil-penalties-against-small>.

<sup>6</sup> In 2015, the FTC began publishing a list of every individual and company that the agency has sued that has been banned from the debt collection industry. This list, located at <https://www.ftc.gov/enforcement/cases-proceedings/banned-debt-collectors>, is a valuable resource to help law-abiding collection industry professionals avoid doing business with these defendants, as well as to help state debt collection licensing officials and law enforcers better protect consumers. Currently, the list includes 229 banned individuals and companies.

<sup>7</sup> Press Release, Settlement Order Permanently Bans Defendants From Merchant Cash Advance and Debt Collection (Jan. 5, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/01/merchant-cash-advance-providers-banned-industry-ordered-redress-small-businesses>; Press Release, FTC Action Results in Ban for Richmond Capital and Owner From Merchant Cash Advance and Debt Collection Industries and Return of More Than \$2.7M to Consumers (June 6, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/06/ftc-action-results-ban-richmond-capital-owner-merchant-cash-advance-debt-collection-industries>.

<sup>8</sup> Press Release, FTC Files Complaint Alleging Telemarketers and Debt Collectors Worked Together To Bilk Organizations for Subscriptions and Books They Never Ordered (May 13, 2020), available at

such as businesses, schools, fire and police departments, and non-profits for books and newsletter subscriptions they never ordered. Those unpaid bills for unwanted and unordered subscriptions were then collected on by a debt collection firm, International Credit Recovery, Inc. (ICR), which used a plethora of illegal tactics such as making threats about legal action or negative impacts to credit scores. The Court denied the defendants' motions to dismiss and for judgment on the pleadings and rejected the debt collectors' argument that the FTC Act is limited to the collection of noncommercial debt. Litigation is ongoing in this matter.

## **B. Redressing Consumers Harmed by Debt Collection Schemes**

In 2022, the Commission announced the distribution of approximately \$1.27 million in refunds to consumers who lost money in debt collection schemes.

The FTC returned more than one million dollars to consumers harmed in the phantom debt brokering and collection scheme in *Global Asset Financial Services Group, LLC*.<sup>9</sup> According to the Commission's complaint, the operation falsely claimed to be attorneys or affiliated with attorneys to pressure consumers into making payments on fake or unauthorized debts, and threatened to take legal action against consumers if they did not pay.<sup>10</sup> One of the companies involved in the scheme, Midwestern Alliance, is a debt broker that allegedly bought, sold, and placed fake debt portfolios even after consumers said they did not recognize the debt or had already paid it. The Commission ultimately banned the defendants from the debt collection business and from misleading consumers about debt.<sup>11</sup>

Additionally, in *Vantage Point Services*, the Commission distributed more than \$255,000 in redress to those harmed by the operators of an illegal debt collection scheme.<sup>12</sup> The defendants had agreed to a permanent ban from the debt collection business in order to settle FTC charges that they falsely threatened to have people arrested if their debts were not paid.<sup>13</sup> The complaint also alleged that the defendants failed to provide information about their identities

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<https://www.ftc.gov/news-events/press-releases/2020/05/ftc-files-complaint-alleging-telemarketers-debt-collectors-worked>; *FTC v. American Future Systems, Inc. et al.*, 2:20-cv-02266 (E.D. Pa. May 13, 2020) (Complaint); *FTC v. American Future Systems, Inc. et al.*, 2:20-cv-02266 (E.D. Pa. Jan. 21, 2021) (Amended Complaint).

<sup>9</sup> Press Release, Federal Trade Commission Returns More Than \$1 Million To Consumers Harmed by Global Asset Financial Services' Phantom Debt Collection Scheme (Aug. 4, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/08/federal-trade-commission-returns-more-1-million-consumers-harmed-global-asset-financial-services>.

<sup>10</sup> *FTC v. Global Asset Financial Services Group, LLC, et al.*, No. 3:19-cv-55 (W.D.N.C. Feb. 4, 2019) (Complaint); see also Press Release, FTC Stops Phantom Debt Collection Scheme (Feb. 8, 2019), available at <https://www.ftc.gov/news-events/press-releases/2019/02/ftc-stops-phantom-debt-collection-scheme>.

<sup>11</sup> Press Release, Operators of Phantom Debt Scheme Permanently Banned From Debt Collection under Settlement with FTC (Dec. 11, 2019), available at <https://www.ftc.gov/news-events/press-releases/2019/12/operators-phantom-debt-scheme-permanently-banned-debt-collection>.

<sup>12</sup> Press Release, Federal Trade Commission Returns More Than \$255,000 To Consumers Harmed by Abusive Debt Collector Vantage Point Services (May 31, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/05/federal-trade-commission-returns-more-255000-consumers-harmed-abusive-debt-collector-vantage-point>.

<sup>13</sup> *FTC v. Vantage Point Services, LLC, et al.*, 1:15-cv-00006 (W.D.N.Y. Sept. 21, 2018) (Orders); see also Press Release, FTC Settlements Stop Debt Collection Scheme (Sept. 21, 2018), available at <https://www.ftc.gov/news-events/press-releases/2018/09/ftc-settlements-stop-debt-collection-scheme>.

during the phone calls or the supposed debt within five days of the calls, as required by law, and illegally added unauthorized amounts to consumers' debts.

### **C. Halting Collection of Millions in Consumer Debt**

When consumers are tricked into financing purchases, the damaging effects can be far-reaching; the Commission works to stop the harm that results from the accrual of such debt and to break the debt cycle.

In an action against the national jewelry retailer Harris Jewelry, the FTC and a group of 18 states took action to stop the company from allegedly cheating military families through illegal financing and sales practices, including deceptively claiming that financing jewelry purchases would raise credit scores, misrepresenting that its protection plans were required, and adding the plans to purchases without consumers' consent.<sup>14</sup> Notably, under a stipulated order the company must stop collection of millions of dollars in debt, provide approximately \$10.9 million in refunds, and assist with the deletion of any negative credit entries pertaining to debt in consumers' credit reporting files. It also must stop selling, assigning, or transferring retail installment contracts or other consumer debt to other persons, and must complete its shutdown of operations and dissolve pursuant to applicable state laws once it meets the obligations of the order.

### **D. Combating Unauthorized Charges That Add to Consumers' Debt Burden**

Combating unauthorized charges that would otherwise add to consumers' debt burden is another aspect of the FTC's holistic approach to protecting consumers in the debt collection arena. Specifically, the Commission has made it a priority to thwart the use of sophisticated design tactics, or "dark patterns," that are used to trick consumers in myriad ways. Dark patterns can manipulate consumers into, among other things, incurring unwanted charges, preventing consumers from getting refunds, or making it difficult to cancel subscriptions or charges – all of which can be a drain on consumers' pocketbooks. In September 2022, the Commission announced a report that showed a rise in these dark patterns and highlighted the FTC's commitment to taking action against tricks used to trap consumers.<sup>15</sup>

The Commission has also taken law enforcement actions to halt unauthorized charges. For example, in an action against Epic Games, owner of the popular online game Fortnite, the company will turn over \$245 million for allegedly using dark patterns to charge millions of

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<sup>14</sup> Press Release, FTC and 18 States Sue to Stop Harris Jewelry from Cheating Military Families with Illegal Financing and Sales Tactics (July 20, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/07/ftc-18-states-sue-stop-harris-jewelry-cheating-military-families-illegal-financing-sales-tactics>.

<sup>15</sup> Press Release, FTC Report Shows Rise in Sophisticated Dark Patterns Designed to Trick and Trap Consumers (Sept. 15, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/09/ftc-report-shows-rise-sophisticated-dark-patterns-designed-trick-trap-consumers>; Staff Report, Bringing Dark Patterns to Light (Sept. 2022), available at [https://www.ftc.gov/system/files/ftc\\_gov/pdf/P214800%20Dark%20Patterns%20Report%209.14.2022%20-%20FINAL.pdf](https://www.ftc.gov/system/files/ftc_gov/pdf/P214800%20Dark%20Patterns%20Report%209.14.2022%20-%20FINAL.pdf).

Fortnite players without authorization — the largest FTC administrative settlement ever.<sup>16</sup> For example, the complaint alleges that players could be charged based on the press of a single button while attempting to wake the game from sleep mode, while the game was in a loading screen, or by pressing an adjacent button while attempting simply to preview an item. The record-breaking settlement will be used to provide refunds to harmed consumers, mandates an overhaul of the company’s billing and dispute practices, and bars the use of dark patterns to get consumers’ consent.

In another nine-figure settlement, the FTC has stopped internet phone service provider Vonage from using dark patterns to make it difficult for consumers to cancel their service.<sup>17</sup> The complaint alleged that company employees, managers, and consumers alike referred to Vonage’s cancellation process as an “endless” maze, loop, and game of phone tag. The proposed order requires Vonage to pay \$100 million for consumer redress, make its cancellation process simple and transparent, and stop charging consumers without their consent.

## **II. PUBLIC OUTREACH AND CROSS-AGENCY COORDINATION**

*Public Outreach.* Consumer and business education and public outreach are also important parts of the Commission’s debt collection program. The FTC uses multiple formats and channels to educate consumers about their rights under the FDCPA, as well as what the statute requires of debt collectors, and to inform debt collectors about what they must do to comply with the law. The FTC also engages in education and public outreach to enhance legal services providers’ understanding of debt collection issues.

The Commission reaches tens of millions of consumers through English and Spanish print and online materials, blog posts, speeches, and presentations. To maximize its outreach efforts, FTC staff work with an informal network of more than 4,700 community-based organizations and national groups that order and distribute FTC information to their members, clients, and constituents. In 2022, the FTC distributed 8.1 million print publications to libraries, police departments, schools, non-profit organizations, banks, credit unions, other businesses, and federal, state, and local government agencies. The FTC also logged more than 50 million views of its business and consumer education website pages in 2022. The FTC’s channel at [YouTube.com/FTCvideos](https://www.youtube.com/FTCvideos) houses 387 business and consumer videos in English and Spanish. The videos were viewed more than 1.2 million times in 2022. The four business and consumer videos that address debt collection in English and Spanish were viewed a combined 35,483 times

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<sup>16</sup> Press Release, Fortnite Video Game Maker Epic Games to Pay More Than Half a Billion Dollars over FTC Allegations of Privacy Violations and Unwanted Charges (Dec. 19, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/12/fortnite-video-game-maker-epic-games-pay-more-half-billion-dollars-over-ftc-allegations>.

<sup>17</sup> Press Release, FTC Action Against Vonage Results in \$100 Million to Customers Trapped by Illegal Dark Patterns and Junk Fees When Trying to Cancel Service (Nov. 3, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/11/ftc-action-against-vonage-results-100-million-customers-trapped-illegal-dark-patterns-junk-fees-when-trying-cancel-service>.



in 2022.<sup>18</sup> Additionally, the consumer blogs in English<sup>19</sup> and Spanish<sup>20</sup> reached 328,046 and 64,570 email subscribers, respectively, and regularly serve as source material for local and national news stories.

As part of its work to raise awareness about scams targeting the Latino community, the FTC has a series of fotonovelas (graphic novels) in Spanish. These graphic novels tell stories based on reports Spanish speakers make to the FTC and offer practical advice to help detect and stop common scams. The FTC distributed 8,900 copies of the *Cobradores de deuda* (Debt Collectors)<sup>21</sup> fotonovela in 2022. The FTC also uses infographics to attract readers' attention and convey educational messages with simple text and appealing graphics. The FTC's *Don't recognize that debt?* infographic<sup>22</sup> has been shared by state and local consumer protection agencies across the country to help consumers know their rights when contacted by debt collectors and to take protective steps if they are pressured to pay a debt they do not recognize. The colorful, easy-to-read infographic explains how to respond to a debt collection call, where to learn more, and how to report to the FTC. The infographic is included in the FTC's article *Fake and Abusive Debt Collectors*<sup>23</sup> (*Cobradores de deudas falsos y abusivos* in Spanish<sup>24</sup>) and was downloaded a combined 1,361 times in 2022.

In December 2022, the FTC launched the Money Matters<sup>25</sup> (Asuntos de Dinero<sup>26</sup> in Spanish) feature page for people who are regaining their financial footing after the pandemic. The page contains information and resources about common money issues, including getting out of debt and debt collection. The page, blog, and video announcing its launch had more than 6,700 combined views in December.

The Commission also educates industry members by developing and distributing business education materials, delivering speeches, blogging, participating in panel discussions at industry conferences, and providing interviews to general media and trade publications. The FTC's business education resources can be found in its online Business Center.<sup>27</sup> The Business Center logged more than 13.2 million page views in 2022, and there are more than 122,431 email subscribers to the Business Blog. A complete list of the FTC's consumer and business education materials relating to debt collection, and information on the extent of their distribution, is set forth in Appendix A to this letter.

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<sup>18</sup> The video [Dealing with Debt Collectors](#) summarizes what debt collectors may and may not do, and how viewers can exercise their rights and report violations to the FTC; [Debt Collection](#) gives information for businesses that must comply with the FDCPA; [Debt Collection: Know Your Rights](#) summarizes consumer rights and encourages viewers to report problem calls to the FTC; and [Fraud Affects Every Community: Debt Collection](#) describes a veteran's experience with abusive debt collection and the legal assistance that helped him get the case dismissed.

<sup>19</sup> Available at [consumer.ftc.gov/consumer-alerts](https://consumer.ftc.gov/consumer-alerts).

<sup>20</sup> Available at [consumidor.ftc.gov/alertas-para-consumidores](https://consumidor.ftc.gov/alertas-para-consumidores).

<sup>21</sup> Available at [bulkorder.ftc.gov/system/files/publications/spdf-0198-cobradores-de-dueda.pdf](https://bulkorder.ftc.gov/system/files/publications/spdf-0198-cobradores-de-dueda.pdf).

<sup>22</sup> Available at [consumer.ftc.gov/sites/www.consumer.ftc.gov/files/corrupt\\_collector\\_infographic\\_508\\_v2.pdf](https://consumer.ftc.gov/sites/www.consumer.ftc.gov/files/corrupt_collector_infographic_508_v2.pdf).

<sup>23</sup> Available at [consumer.ftc.gov/articles/0258-fake-and-abusive-debt-collectors](https://consumer.ftc.gov/articles/0258-fake-and-abusive-debt-collectors).

<sup>24</sup> Available at [consumidor.ftc.gov/articulos/s0258-cobradores-de-deudas-falsos-y-abusivos](https://consumidor.ftc.gov/articulos/s0258-cobradores-de-deudas-falsos-y-abusivos).

<sup>25</sup> Available at [consumer.ftc.gov/features/money-matters-how-spot-avoid-and-report-scams](https://consumer.ftc.gov/features/money-matters-how-spot-avoid-and-report-scams).

<sup>26</sup> Available at [consumidor.ftc.gov/destacado/asuntos-de-dinero-como-detectar-evitar-y-reportar-las-estafas](https://consumidor.ftc.gov/destacado/asuntos-de-dinero-como-detectar-evitar-y-reportar-las-estafas).

<sup>27</sup> Available at [ftc.gov/business-guidance](https://ftc.gov/business-guidance).

FTC staff also regularly meet with legal service providers, consumer advocates, and people who work in immigrant, American Indian/Alaska Native, Latino, Asian, and Black communities to discuss consumer protection issues, including the FTC's work in the debt collection arena. For example, the FTC hosted four Ethnic Media Roundtables and two Common Ground conferences in 2022, bringing together law enforcement, community organizations, consumer advocates, and members of the ethnic media to discuss how consumer protection issues — including debt collection — affect their communities.

*Cross-Agency Coordination.* The FTC continues to work with the CFPB to coordinate efforts to protect consumers from unfair, deceptive, and abusive debt collection practices. As part of this coordination, FTC and CFPB staff meet to discuss ongoing and upcoming law enforcement, rulemaking, and other activities; share debt collection complaints; and cooperate on consumer education efforts in the debt collection arena.

The FTC also engages in regular coordination activities with other law enforcement partners at the federal, state, and local levels.

### III. CONCLUSION

The Commission hopes that the information contained in this letter will assist the CFPB in preparing its annual report to Congress about its administration of the FDCPA. The FTC looks forward to continuing to cooperate and coordinate with the CFPB on consumer protection issues relating to debt collection. If any other information would be useful or if you wish to request additional assistance, please contact Malini Mithal, Associate Director, Division of Financial Practices, at (202) 326-2972.



Samuel Levine  
Director, Bureau of Consumer Protection

## Appendix A

### 2022 Debt Collection Information

Consumer Information	Views		Print Orders	
Article	English	Spanish	English	Spanish
Coping with Debt*	30,009	3,772		
<a href="#">Debt Collection FAQs</a>	237,400	154,827	50,675	12,000
<a href="#">Debt Collectors</a> (Fotonovela)				8,900
<a href="#">Debts and Deceased Relatives</a>	114,750	73,576		
<a href="#">Fake and Abusive Debt Collectors</a>	3,391	7,970		
Getting Out of Debt*	11,398	850	70,325	14,725
<a href="#">How To Get Out of Debt</a>	9,816	2,939		
<a href="#">Identity Theft Letter to a Debt Collector</a>	8,244	124		
<a href="#">Managing Debt</a> (online)	128	1,728		
<a href="#">Managing Debt</a> (print)			46,800	6,600
<a href="#">Settling Credit Card Debt</a>	68,349	29,720		
<a href="#">What To Do if a Debt Collector Sues You</a>	59,111	272		
Video				
<a href="#">Dealing with Debt Collectors</a>	1,494	1,259		
<a href="#">Debt Collection: Know Your Rights</a>	15,523	12,829		
<a href="#">Fraud Affects Every Community: Debt Collection</a>	1,875			

Business Information	Views	
Article	English	Spanish
<a href="#">The Fair Debt Collection Practices Act</a>	13,342	
Video		
<a href="#">Debt Collection</a>	349	2,154

The Views column indicates how many times a page was viewed on an FTC website. A person who views an article page may also download, re-post, or copy and share content from a page, which increases the number of people who see the article but doesn't increase the number of views.

\* In April 2022, the contents of these articles were added to [How to Get Out of Debt](#) and are no longer available separately.