



FEDERAL TRADE COMMISSION FOR THE CONSUMER

An Overview of Consumer Protection Initiatives



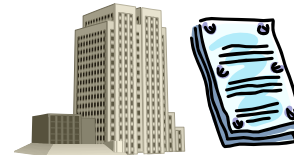
U.S. Sources of Consumer Protection Rules



Contract Law



Federal Law



Administrative Rules & Regulations



Judicial and Administrative Decisions



Policy Statements



Self-Regulation



State Law



County/City Law



U.S. Federal Agencies With Consumer Protection Responsibilities



[Directory Assistance](#) - [Privacy Policy](#) - [Contact](#) - [Special Projects](#) - [Search](#)

Consumer.gov

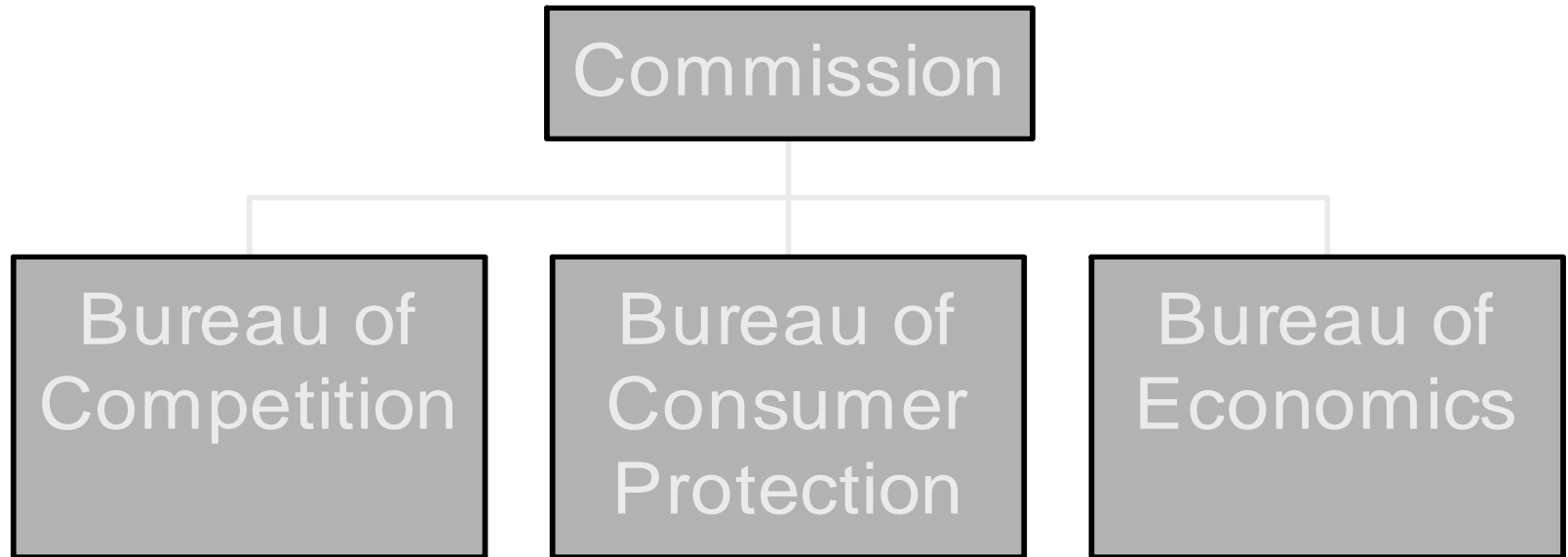
Your resource for consumer information from the federal government.

What is the FTC?

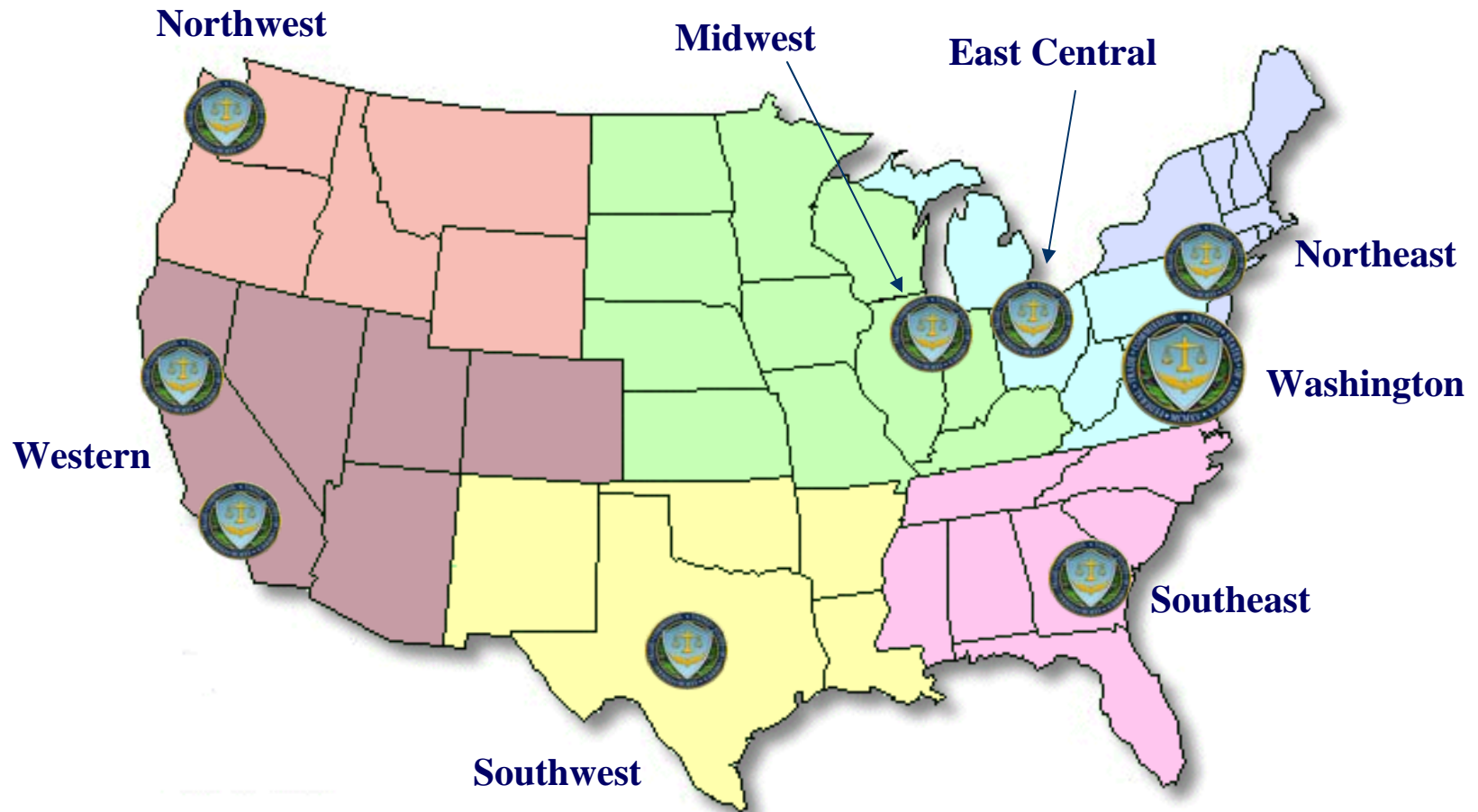
- Nation's only general jurisdiction consumer protection agency
- Independent federal agency headquartered in Washington, DC with 7 regional offices
- Enforcement through federal district court and administrative litigation



Federal Trade Commission



FTC's Headquarters and Regional Offices



Bureau of Consumer Protection

- Protects consumers against unfair, deceptive or fraudulent practices
- Enforces consumer protection laws enacted by Congress
- Enforces trade regulations issued by the Commission

FTC Bureau of Consumer Protection Divisions

- Division of Advertising Practices
- Division of Marketing Practices
- Division of Enforcement
- Division of Financial Practices
- Division of Privacy and Identity Protection
- Division of Planning and Information
- Office of Consumer and Business Education
+ the Office of International Affairs

Multi-Faceted Approach to Consumer Protection Issues

- Law enforcement
- Rulemaking
- Consumer and business education
- Public policy initiatives
- Cooperation with Congress, other government agencies, states, and foreign on consumer protection matters

Federal Trade Commission Act

- Section 5 of the FTC Act prohibits:

- **Unfair methods of competition**

- **Unfair or deceptive acts or practices**

- **Deceptive practices**

- material
- likely to mislead consumers
- acting reasonably under the circumstances

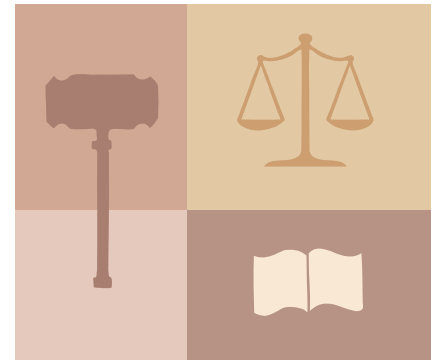
- **Substantiation**

- reasonable basis
- objective claims

- **Unfair practices**

- substantial injury
- not reasonably avoidable
- not outweighed by benefits

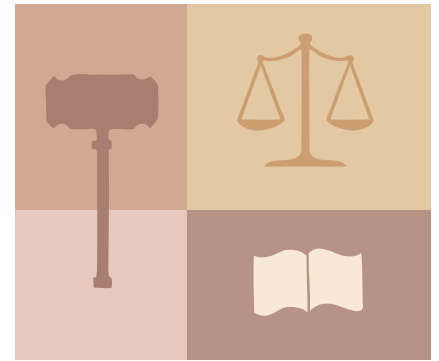
Legal Framework



Other statutes include

- **Children's Online Privacy Protection Act (COPPA)**
- **CAN-SPAM Act (Controlling the Assault of Non-Solicited Pornography and Marketing Act)**
- **Fair Credit Reporting Act (FCRA)**
- **Gramm-Leach Bliley Act (GLB Act) requires financial institutions to maintain data security safeguards**

Legal Framework-cont.



- **Remedies**

- **Preliminary/permanent injunctive relief**
- **Consumer redress**
- **Disgorgement**
- **Asset Freezes**
- **Final Orders – Monitoring and Reporting**

BCP Divisions

Division of Advertising Practices

- Protects consumers from deceptive and unsubstantiated advertising
- Health-Related fraud claims
- Environmental Performance Claims
- Enforces COPPA (Children's Online Privacy Protection Act)



Division of Advertising Practices Enforcement For Fraudulent Ads

- Airborne advertised as preventing and treating colds. \$6.5 million to consumers.
- Phone cards sold to immigrants had half as many minutes as advertised. Joint investigation with El Salvador, Colombia, Egypt, Mexico, Panama, and Peru. Court ordered halt to practices.
- Company claims that “Seasilver” dietary supplement will cure cancer and AIDS and cause rapid, permanent weight loss without dieting. Judge orders defendants to pay \$120 million.

Division of Advertising Practices

Children's Online Privacy Protection Act generally prohibits the online collection of information from children under 13 without parental permission.

Enforcement actions

Xanga.com. \$1 million civil penalty for social networking site

imbee.com. Social networking site for kids and tweens

Mrs. Fields Famous Brands. Bakery website had birthday clubs, birthday greetings, and coupons.



Division of Advertising Practices Studies

Food Marketing to Children

- \$1.6 Billion spent in 2006
- 13 largest companies have joined voluntary effort to restrict marketing to kids under 12
- The report recommends that all companies that market food or beverage products to children under 12 adopt nutrition-based standards for marketing their products and that media and entertainment companies restrict the licensing of their characters to healthier foods and beverages.

● **Alcohol Marketing and Youth**

- Industry adheres to self-regulatory guidelines limiting advertising to media where 70% of viewers are adults
- FTC urges that sponsorships be given only where 70% of fans are adults
- FTC will continue “We Don’t Serve Teens” campaign and conduct annual investigations to ensure standards are followed

BCP Divisions

Division of Marketing Practices

- Investment schemes
(business opportunities,
pyramid schemes)
- High-Tech fraud (spam,
spyware, Internet
trickery)
- Telemarketing

WORK FROM HOME

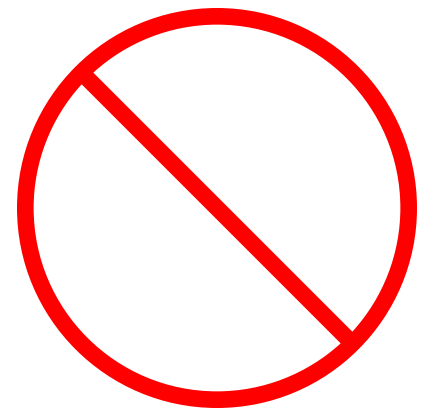
\$1500/MO - Part Time

\$5000/MO - Full Time

CAN-SPAM Act of 2003

(“Controlling the Assault of Non-Solicited Pornography and Marketing Act”)

- Creates civil and criminal violations that may be enforced by federal and state law enforcement and ISPs
- Imposes fines of up to \$11,000 per violation
- The law and regulations
 - Ban false or misleading header information
 - Prohibit deceptive subject lines
 - Requires an online opt-out mechanism
 - Requires the sender's valid physical postal address is included



Adult Labeling Rule

- As of May 19, 2004, sexually-oriented electronic messages must contain label “SEXUALLY-EXPLICIT:” in subject line.
- Messages must have a “brown paper wrapper”-- not have any sexually-explicit content within the initially viewable area.
- Must comply with other provisions of CAN-SPAM.

Division of Marketing Practices Spam Enforcement



\$2.5 Million court-ordered fine for weight loss spam in Sili Neutraceuticals

\$2.9 million civil penalty in ValueClick for offering “free” gifts that weren’t free through spam

\$413,000 fine under a settlement with an X rated website in CyberHeat

Disgorgement of ill-gotten \$400,000 gains for spammer who used zombie network of consumers’ computers

International Pyramid Scheme Skybiz.com

Address  <http://www.ftc.gov/opa/2004/05/skybiz.htm>

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FOR THE CONSUMER

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For Release: May 14, 2004

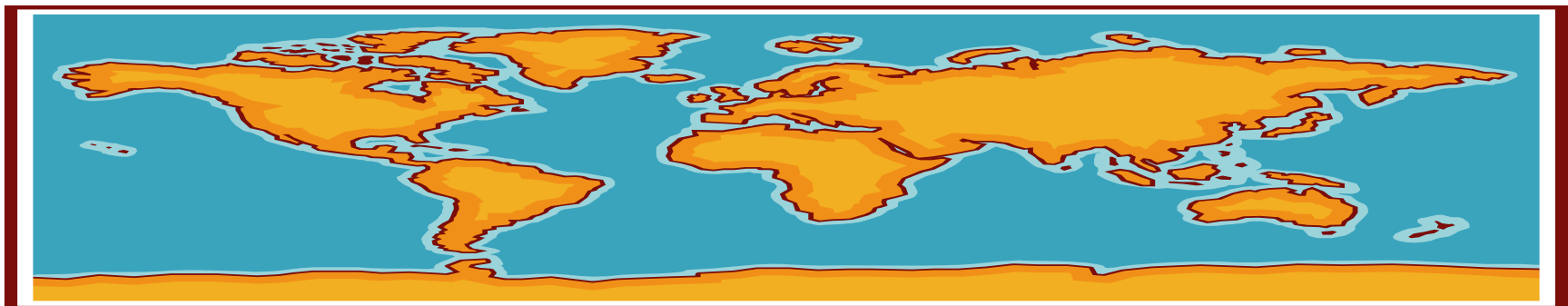
Qualified Consumers to Share \$20 Million in Redress

Skybiz Victims to Collect Court-Ordered Restitution

Tens of thousands of consumers who were victims of SkyBiz.com, an Internet pyramid scam disguised as a legitimate business opportunity, may qualify to share in a \$20 million court-ordered redress fund. Consumers who invested in SkyBiz.com will be notified by e-mail from the court-appointed fund administrator that they may qualify to share in the redress fund. Consumers must submit all claims to the redress administrator, Robb Evans & Associates, at www.skybiz-redress.com.

In June 2001, the FTC filed suit charging that the defendants promoted a work-at-home business opportunity with claims of quick riches. In sales presentations, seminars, teleconferences, Web site presentations, and other marketing material, the defendants touted the opportunity to earn thousands of dollars a week by recruiting new "Associates" into the program. The cost to join the SkyBiz Program was as much as \$125, supposedly used to buy an "e-Commerce Web Pak" but in reality it was to purchase the right to receive compensation for recruiting additional participants. According to the FTC, the defendants urged participants to invest in more than one "Web Pak" to maximize their earning potential.

The FTC charged that the claims that consumers who invested in SkyBiz would make substantial income were false; that failure to disclose that most people in pyramid schemes lose money was deceptive; that defendant provided the means and instrumentalities for others to deceive consumers by providing speakers and promotional materials that made the false and misleading claims; and that SkyBiz was actually an illegal pyramid scheme. All four acts violate the FTC Act.



Pop-Up Ads

FTC v. D Squared Solutions



- Defendants repeatedly sent messages to consumers instructing them to visit Web sites that advertised software to stop the pop ups at a cost of \$25 to \$30
- Used the Windows Messenger Service to cause their pop ups to appear on consumers' computer screens even when consumers were not browsing the Internet

FTC v. MaxTheater, Inc. ("Spyware Assassin")

http://www.spywareassassin.com/

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SpywareAssassin
New version 4.0

No More Ads....PERIOD!



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Warning: There is a 99% chance your computer is infected with adware or spyware. Click here for a **FREE** spyware removal scan!



Symptoms your computer is infected with spyware...

- ⊗ Your PC is flooded with popup ads
- ⊗ Your computer runs slower than when originally purchased.
- ⊗ Your internet connection is slow.
- ⊗ Your inbox is flooded with spam emails
- ⊗ Your computer freezes or lags up.
- ⊗ frequent system crashes.

What Spyware Does...

- ⊗ Sends you frequent ads.
- ⊗ Tracks your online activity.
- ⊗ Records your private information.
- ⊗ Steals your personal files.
- ⊗ Steals passwords & credit card info.
- ⊗ Sends you spam emails.

How SpywareAssassin will protect your PC...

SpywareAssassin creates an iron clad line of defense that protects your computer in multiple ways. Not only will it scan your entire system and remove all spyware programs and files, but it will continually monitor your computer in the background and prevent any future breaches.



Removes Existing Spyware Infections:

When you first install SpywareAssassin, you will perform an initial scan, which will locate any and all spyware currently residing on your system. After identifying these infected files, you will have the option of removing them.

Prevents New Spyware Infections:

SpywareAssassin is your computer's personal watchdog, protecting your computer on a continual basis. After SpywareAssassin makes its initial scan, it will run silently in the background, continually blocking new spyware programs from infecting your computer.

24x7 Continual Monitoring & Spyware Protection:

Division of Marketing Practices

Telemarketing and Consumer Fraud and Abuse Prevention Act

- Do Not Call Registry—over 165 million telephone numbers
- Penalties up to \$11,000 per call for Do Not Call violations
- One Enforcement Action yielded civil penalty of \$5.3 million

Division of Marketing Practices

Telemarketing Sales Rule

- Telemarketing Sales Rule limits times during which telemarketers may call, must identify themselves (including on Caller ID), requires affirmative consent to charges
- In May 2008, the FTC announced the results of Operation Tele-PHONEY, an international effort that resulted in 13 FTC actions and more than 80 actions worldwide.

BCP Divisions

Division of Financial Practices

- Enforces many of the nation's consumer credit statutes.
- Enforces laws relating to debt collection and credit counseling.



Division of Financial Practices Credit Repair Organizations Act



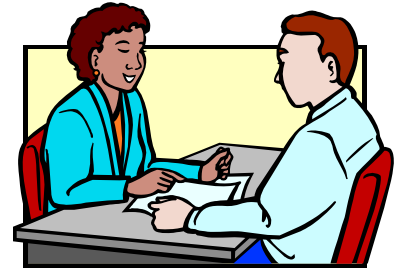
Law: credit repair organizations

- Must provide consumer a copy of the “Consumer Credit File Rights Under State and Federal Law.”
- Must provide a written contract that specifies payment terms (including total cost), time frame, guarantee terms, detailed description of services.
- Must not take any action during a three-day waiting period after contract is signed, during which consumer can cancel without penalty.
- Cannot charge consumers until they have completed the promised services.

Enforcement: Payneless Credit Repair (Southwest region):
Court ordered Defendants to stop their unlawful business practices and froze their assets until the completion of the case.

Study: FTC held a conference on September 25, 2008 to explore the debt settlement industry.

Division of Financial Practices Truth in Lending Act



- **Law:** Requires that creditors disclose certain information, such as Annual Percentage Rates (APRs), fees, and terms on loans to consumers.
- **Enforcement:** Payday loan lead generators settled charges that they provided only loan costs on their Web sites – a \$20 fee for a \$100 loan, for example – but failed to disclose the APR, which ranged from 260% to 782%.
- **Policy:** Staff filed comment to Federal Reserve urging clearer disclosure of fees and costs to consumers.

Division of Financial Practices

Fair Debt Collection Practices Act



- **Law:** requires debt collectors to provide information in writing about the debt; limits the hours during which debt collector can contact consumers; stops a debt collector from contacting a consumer who asks them to stop; prohibits harassment and false statements.
- **Enforcement:**
 - FTC alleged that Jefferson Capitol misrepresented a debt collection program as a credit card offer and used abusive collection tactics.
 - Ingles Con Ritmo defendants settled allegations that they falsely claimed to Spanish-speaking consumers that a debt was owed, that they were or represented attorneys, and that nonpayment would result in arrest, imprisonment, or loss of property or wages.

Division of Financial Practices

“Debt Meltdown” Case

- Litigated by the Northeast Regional office
- Defendant allegedly represented to consumers that their debts would be settled for 60 cents on the dollar, that the company would begin paying creditors within weeks of consumers signing up, and they would receive personalized one-on-one financial counseling.
- FTC alleged that debts were not generally reduced by as much as promised. The defendants allegedly often failed to contact each creditor as promised, creditors weren't paid until the up-front portion of the fees had accrued from monthly debits, and personalized counseling was not provided.
- Defendants banned from engaging in credit counseling without posting a \$1 million performance bond; \$7 million suspended sentence and order to turn over assets for restitution.

BCP Divisions

Division of Privacy and Identity Protection

- Protects consumer privacy by enforcing data security laws
- Promotes identity fraud prevention and victim assistance strategies and assists criminal law enforcement
- Works to promote policies to protect consumer privacy, such as online behavior advertising
- Enforces the requirements of the Fair Credit Reporting Act



DETER·DETECT·DEFEND

AVOID THEFT



Division of Privacy and Identity Protection

Data Security-Law

- Enforced under unfairness and deception prohibitions in FTC Act
 - Companies that fail to keep their privacy promises act deceptively
 - Unfair practice for business to fail to maintain reasonable and appropriate security in a manner that causes, or is likely to cause, substantial consumer injury
- Other applicable laws include Gramm-Leach-Bliley Act and Fair Credit Reporting Act

Five Key Principles

From "Protecting PERSONAL INFORMATION:
A Guide for Business"

1. Take stock.
2. Scale down.
3. Lock it.
4. Pitch it.
5. Plan ahead.



Division of Privacy and Identity Protection

Data Security-Enforcement

- TJX Case: Tens of millions of credit and debit card numbers stolen from discount retailer; company settles FTC allegations that it failed to take adequate security measures
- LexisNexis/Seisint Case: Data broker settled charges that consumers' personal information was obtained by identity thieves because of inadequate security measures
- DSW Case: Shoe retailer settled FTC charges that credit, debit, and checking account information of 1.4 million customers was stolen because it failed to adequately secure the data.

Division of Privacy and Identity Protection

Data Security Enforcement

- ChoicePoint, Inc. case – personal financial records of more than 163,000 consumers in data broker's database compromised because company allegedly failed to verify adequately its customers who had access to database
- Law violations: Fair Credit Reporting Act (because compromised records included consumer reports) and FTC Act
- Settlement is one of the largest civil penalty in FTC history-\$10 million in civil penalties and \$5 million in consumer redress

Division of Privacy and Identity Protection

Gramm-Leach-Bliley Act

- Safeguards Rule: Financial institutions must develop reasonable and appropriate safeguards for customer financial information
- Requirements: (1) assign one or more employees to oversee the program; (2) conduct a risk assessment; (3) put safeguards in place to control the risks identified in the assessment and regularly test and monitor them; (4) require service providers, by written contract, to protect customers' personal information; and (5) periodically update its security program.
- Safeguards enforcement: Superior Mortgage, Nations Title, Sunbelt Lending, Nationwide Mortgage

Division of Privacy and Identity Protection

Gramm-Leach-Bliley Act

- Privacy Rule: Customers must receive annual notices from financial institutions about company privacy practices and the right to opt out of certain kinds of information sharing
- Short Notice Project: FTC, SEC, and federal banking agencies are working to develop effective, readable notices that financial institutions can adopt to provide customers with meaningful information about their privacy practices.

Division of Privacy and Identity Protection

Telephone Record Pretexting

- **Law:** Several FTC cases alleged that obtaining and selling confidential consumer telephone records is an unfair practice.
- **Enforcement:** AccuSearch, Inc. – federal court upheld FTC charges of unfairness against seller of phone records and ordered payment of nearly \$200,000 in disgorgement of ill-gotten gains.



Division of Privacy and Identity Protection

Fair Credit Reporting Act-Law



- FCRA protects the privacy and accuracy of consumer report information; only entities with a “permissible purpose” may obtain and use consumer reports.
- Fair and Accurate Credit Transactions Act of 2003, amending FCRA.
 - Right to Free Credit Reports for consumers from each of the 3 major bureaus each year
 - Red Flags rule requires financial institutions to establish identity theft detection programs
 - Disposal Rule requires that credit report information be discarded safely
 - Consumer rights to place fraud alerts and block fraudulent information on credit reports
 - Protects confidentiality of medical information in consumer reports

Division of Privacy and Identity Protection Fair Credit Reporting Act-Enforcement



- \$50,000 fine to a mortgage company for violating the Disposal Rule by tossing records with sensitive customer information in the trash
- \$325,000 in fines to casinos that denied consumers jobs based on their credit reports, but failed to provide “adverse action” notices informing them of their FCRA rights
- \$2 million fine imposed on a company that furnished inaccurate information about consumer debt to credit reporting agencies that resulted in negative information remaining on consumers’ credit reports longer than the law permits.

BCP Divisions

Division of Enforcement

- Ensures compliance with administrative and federal court orders entered in consumer protection cases
- Coordinates with criminal law enforcement agencies through Criminal Liaison Unit (“CLU”)



Division of Enforcement

- Recovered a \$100,000 performance bond from a repeat offender who violated court orders
- Telemarketers who violated court orders required to record all phone calls with customers and were imposed a \$2.3 million suspended judgment

BCP Divisions

Division of Planning and Information

- Consumer Sentinel



- Spam Database



- Collects and analyzes data to target law enforcement and education efforts and measure the impact of activities related to the FTC's consumer protection mission

Office of International Affairs

- Independent office in the Commission, with a group that focuses solely on consumer protection issues
- Promotes consumer confidence in the international marketplace
- Provides litigation assistance and investigative support for cross-border cases
- Negotiates and implements bilateral consumer protection cooperation agreements

Office of Consumer and Business Education

- Spam
- I.D. Theft
- Spyware
- Privacy
- Credit Issues
- CyberSecurity
- and more all at www.ftc.gov

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WHO'S CALLING?
Recognize & Report
PHONE FRAUD



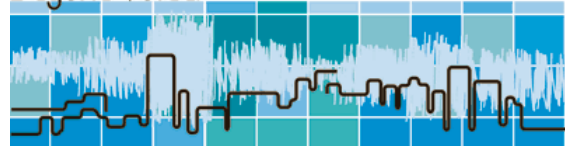
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