



Office of Claims and Refunds Annual Report 2017

Federal Trade Commission



Protecting America's Consumers

The Federal Trade Commission stops unfair and deceptive business practices by investigating and bringing law enforcement cases against companies that break the law. Between July 1, 2016 and June 30, 2017, the Bureau of Consumer Protection obtained 168 court orders for more than \$12.72 billion.¹

The Bureau's Office of Claims and Refunds supports the Commission's mission by returning money to the consumers and businesses who were harmed by these illegal practices. This year, the office directed dozens of mailings that resulted in nearly \$320 million in refunds, and supported refund programs administered by FTC defendants to deliver more than \$6 billion in refunds.

Getting Money Back into People's Pockets

The goal of FTC law enforcement actions is to halt illegal practices and 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, then the 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.

In total, FTC cases resulted in more than \$6.4 billion in refunds for consumers.² Here's a snapshot of refund programs administered by the FTC between July 2016 – June 2017:

- Total amount FTC mailed: \$391.38 million
- Number of people who received FTC checks: 6.28 million
- Check cashing rate of first round distributions: 72%
- Average percentage spent on administrative costs: 4.85%
- Money sent to the U.S. Treasury: \$655,528

¹ This figure does not equal the total amount of judgments the FTC obtained within the time period because some judgments are suspended by the court when a defendant has an inability to pay it.

² This number includes a landmark settlement with VW that required the company to offer a buyback program for owners of VW and Audi diesel cars fitted with illegal emissions defeat devices. The VW buyback program resulted in more than \$6 billion in refunds during this time period.

Mapping an FTC Refund Program

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. Usually, the FTC has this information, and it mails checks out to a list of known customers. In some 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. This year, in cases where the FTC used company data to mail checks, an average of 64% of people on the list got a check and cashed it.

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 gets claims from 5 to 20 percent of potential claimants. In cases where there was a claims process, the average check cashing rate was 90%.

If there is no customer list and a claims process is not feasible, the agency's Consumer Sentinel 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 five FTC matters: Money Now Funding, Payday Support, Regency Financial, Information Management Forum, and Vantage Funding. In cases where data from Consumer Sentinel was used to mail refunds, the average check cashing rate was 70%.

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 and preventing fraud

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. Multiple staff members 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. This year, the FTC completed 20 first time mailings for FTC cases. Here are the highlights of each case:

First Distributions, July 1, 2016 – June 30, 2017

Case Name ³	Date of First Mailing	Number of Recipients	Amount Mailed	Amount Cashed**	Percent of Fund Cashed**	Min Check	Average Check	Max Check
Dolce Refunds	7/19/2016	5,970	\$4,076,072	\$3,078,714	72%	\$20	\$684	\$4,600
Oro Marketing	9/7/2016	6,192	\$1,338,587	\$950,432	47%	\$18	\$216	\$9,958
One Technologies*	9/27/2016	145,301	\$19,915,710	\$18,976,320	86%	\$90	\$137	\$150
Top Shelf Marketing	10/10/2016	3,862	\$1,194,130	\$1,045,378	86%	\$309	\$309	\$309
Fortune Hi-Tech Marketing	11/8/2016	285,361	\$3,778,286	\$1,577,136	39%	\$13	\$13	\$13
Centro Natural Corp.	11/14/2016	3,446	\$830,311	\$539,964	64%	\$90	\$241	\$2,915
Lumosity*	11/15/2016	13,128	\$1,925,540	\$1,865,011	93%	\$120	\$147	\$542
AT&T*	12/8/2016	2,793,589	\$88,264,823	\$84,423,478	81%	\$5	\$31	\$2,676
Tax Club*	12/16/2016	20,352	\$18,609,655	\$18,149,711	91%	\$10	\$914	\$8,993

³ For more information about any of the FTC cases in these charts, see the Appendix: FTC Case Details.

Herbalife	1/10/2017	346,245	\$199,514,125	\$152,370,190	76%	\$102	\$576	\$9,876
T-Mobile	2/1/2017	617,870	\$19,875,828	\$13,380,912	62%	\$9	\$32	\$6,660
Mercola*	2/7/2017	1,367	\$2,594,013	\$2,591,019	99%	\$1,032	\$1,898	\$3,999
Money Now Funding	2/17/2017	2,031	\$436,011	\$369,037	82%	\$15	\$215	\$23,076
Payday Support	3/15/2017	561	\$148,520	\$131,971	84%	\$70	\$265	\$295
Fair Guide	3/28/2017	974	\$535,085	\$414,270	76%	\$24	\$549	\$3,329
Rincon Management Services	3/30/2017	5,232	\$2,748,406	\$1,648,011	59%	\$22	\$525	\$3,337
CPU Service	5/11/2017	1,187	\$48,453	\$36,668	61%	\$10	\$41	\$105
Regency Financial	6/15/2017	288	\$109,452	\$69,549	59%	\$129	\$380	\$3,550
Information Management Forum	6/23/2017	338	\$319,621	\$267,174	56%	\$465	\$946	\$6,141
Goldman Schwartz	6/30/2017	4,380	\$555,469	\$376,784	65%	\$10	\$127	\$1,804

*In these cases, recipients were required to file a claim to get a refund.

**These figures are current as of August 31, 2017.

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. This year, the FTC completed subsequent distributions in eight cases:

Subsequent Distributions, July 1, 2016 – June 30, 2017

Case Name	Date of Most Recent Mailing	Number of Recipients	Amount Mailed	Total Amount Cashed (including all distributions) **	Percent of Fund Cashed **	Min Total Refund **	Average Total Refund **	Max Total Refund **
JK Publications	7/16/2016	321,982	\$9,688,467	\$15,901,658	63%	\$58	\$58	\$58
Direct Benefits Group	9/30/2016	23,899	\$988,223	\$1,371,011	80%	\$66	\$66	\$66
Daniel Chapter One	1/6/2017	1,014	\$9,541	\$44,094	73%	\$45	\$45	\$45
Broadway Global	1/17/2017	1,203	\$149,318	\$583,213	96%	\$42	\$555	\$7,320
Zadro Health	2/21/2017	1,696	\$38,911	\$196,984	89%	\$32	\$119	\$973
Genesis Today ⁴	5/30/2017	38,553	\$1,914,376	\$9,692,878	79%	\$8	\$48	\$2,719
TracFone	6/9/2017	1,308,799	\$11,761,370	\$31,347,235	73%	\$3	\$27	\$98
Vantage Funding	6/30/2017	285	\$15,380	\$35,648	11%	\$30	\$43	\$498

**These figures are current as of August 31, 2017, and include previous distributions.

⁴ In June 2016, the FTC mailed full refunds to nearly 200,000 people who purchased the Genesis Today supplements online. In May 2017, the FTC mailed full refunds to more than 38,000 people who bought the supplements in retail stores.

Feedback from the Public

The FTC's mission is to protect American consumers from illegal business practices. The agency hears from these consumers on a regular basis. They post blog comments, send thank you notes, and call our toll free numbers to give feedback and ask questions. We use their feedback to help improve our process, and we appreciate the kind words from people who have received refunds. Because raw numbers do not tell the complete story, we have included a sampling of consumer quotes to highlight how FTC refund programs have had a genuine effect on the lives of real people:⁵

"When I saw the check for \$492.54 ... with a note indicating, "...*The enclosed check is your share of the money that the FTC was able to collect...*" I was both surprised and delighted. The money could not have come at a more opportune time. I recently got laid off, so it really means a lot right now. Thanks again for everything." (February 12, 2017)

"I got my check today 1/17/17 on my birthday, very nice thing!!! ... Wow, the FTC really is on top of its game. Bravo!" (January 17, 2017)

"Thank you so very much for your prosecution of One Technologies and sending a portion of the settlement. The funds were sorely needed and much appreciated." (December 19, 2016)

"It is refreshing to know that the law works to help people when they have been deceived. Again, thank you for your well received efforts." (October 23, 2016)

"Please accept my thanks for all that you and your coworkers are doing. You must all enjoy bringing down the thieves and deceivers that you catch. I thought I had lost my fights with two of them. They are clever, but you outdid them and I was compensated. No wonder the thieves hate regulators, especially of your caliber." (May 10, 2017)

"Thank you so much for helping people that get scammed. My belief in people has taken quite a hit lately. This helps." (October 1, 2016)

"Thank you FTC & agencies for getting our money back that was stolen from us..." (October 3, 2016)

"Very best regards, many thanks, and God Bless the FTC, which does such a great job in helping us otherwise defenseless and oft beleaguered consumers." (February 22, 2017)

"Thanks so much for protecting us! It's good to know that sometimes the government is doing all they can to protect us from companies that just want our money." (January 7, 2016)

"Thank you for your hard work and diligence! I appreciate it as I am surviving on a small disability check and supporting my young grandchild, too. Blessings to all who worked for justice for us!!!" (October 5, 2016)

⁵ Minor typos were corrected for this report.

Refund Programs Administered by FTC Defendants and Other Federal Agencies

FTC staff also provides consultation and support for FTC cases where the court order requires the defendants—or another federal agency—to conduct a refund program. Only in rare circumstances do FTC settlements result in self-administered refund programs. When the FTC determines that this is in the best interest of the affected consumers, the Enforcement Division engages in close oversight and monitoring of the program. If the defendants failed to conduct them appropriately, they would be in violation of 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.

The FTC creates and maintains webpages for each FTC-related refund program, including those that are not administered by the FTC. This year, there were more than a million visits to these refund pages. A chart that links to all current FTC refund programs is available at www.ftc.gov/refunds, which is designed to help consumers verify that the check they have received is legitimate and to answer common questions. This year, the FTC assisted with four programs that are being administered by the defendant or another federal agency. Here are the details:

Case Name	Total Dollars Available	URL	Page views
Volkswagen	\$11,000,000,000	www.ftc.gov/vwsettlement	175,761
NetSpend	\$53,000,000	www.ftc.gov/netspend	23,743
Amazon	\$70,000,000	www.ftc.gov/amazon	4,553
Western Union	\$586,000,000	www.ftc.gov/wu	5,917
Total	\$11,709,000,000		209,974

Conclusion

As part of its mission to protect American consumers, the FTC works to get money back to people who are harmed by illegal business practices. The Bureau of Consumer Protection enforces a variety of consumer protection laws enacted by Congress, as well as trade regulation rules issued by the Commission. Its actions include individual company and industry-wide investigations and administrative and federal court litigation. In all of its activities, the Bureau works to provide consumer refunds whenever feasible, and then develops customized refund programs that are designed to get as much money back to as many injured consumers as possible.

This year, the Commission's efforts led to billions of dollars in refunds for people across the nation. The data presented in this report will be used to inform future decisions about FTC refund programs, and to continue to ensure that the agency's efforts are effective and efficient.

Appendix: FTC Case Details

Case	Product Code Or Type	Link
Amazon	Charges for in-game purchases by minors	https://www.ftc.gov/enforcement/cases-proceedings/122-3238/amazoncom-inc
AT&T	Unauthorized charges	https://www.ftc.gov/enforcement/cases-proceedings/132-3248/att-mobility-llc
Broadway Global	Impostor: Government	https://www.ftc.gov/enforcement/cases-proceedings/1123215-x120020/broadway-global-master-inc
Centro Natural Corp.	Third Party Debt Collection	https://www.ftc.gov/enforcement/cases-proceedings/142-3159/centro-natural-corp
CPU Service	Business Directory charges	https://www.ftc.gov/enforcement/cases-proceedings/142-3070-x140045/your-yellow-book-inc
Daniel Chapter One	Health claims	https://www.ftc.gov/enforcement/cases-proceedings/082-3085/daniel-chapter-one
Direct Benefits Group	Payday Loans	https://www.ftc.gov/enforcement/cases-proceedings/112-3114/direct-benefits-group-llc-et-al
Dolce Refunds	Telemarketing: Other	https://www.ftc.gov/enforcement/cases-proceedings/102-3173/dolce-group-worldwide-llc-fereidoun-fred-khalilian
Fair Guide	Business Directory charges	https://www.ftc.gov/enforcement/cases-proceedings/132-3001-x130040/fair-guide-construct-data-publishers-dba-fair-guide
Fortune Hi-Tech Marketing	Multi-Level Marketing	https://www.ftc.gov/enforcement/cases-proceedings/112-3069/fortune-hi-tech-marketing-inc-et-al
Genesis Today	Weight loss claims	https://www.ftc.gov/enforcement/cases-proceedings/122-3283/genesis-today-pure-health-lindsey-duncan
Goldman Schwartz	Debt Collection	https://www.ftc.gov/enforcement/cases-proceedings/122-3096-x130029/goldman-schwartz-inc
Herbalife	Multi-Level Marketing	https://www.ftc.gov/enforcement/cases-proceedings/142-3037/herbalife-international-america-inc-et-al
Information Management Forum	Timeshare Resales	https://www.ftc.gov/enforcement/cases-proceedings/122-3105/information-management-forum-inc-et-al
JK Publications	Cramming charges for adult websites	https://www.ftc.gov/enforcement/cases-proceedings/971-0016-971-0017/federal-trade-commission-v-jk-publications-inc-et-al
Lumosity	Unverified claims of increased intelligence	https://www.ftc.gov/enforcement/cases-proceedings/132-3212/lumos-labs-inc-lumosity-mobile-online-cognitive-game

Mercola	Safer tanning beds	https://www.ftc.gov/enforcement/cases-proceedings/142-3210/mercolacom-llc
Money Now Funding	Work-at-Home	https://www.ftc.gov/enforcement/cases-proceedings/122-3216-x130063/money-now-funding-llc
Netspend	Failed to transfer payments to prepaid cards	https://www.ftc.gov/enforcement/cases-proceedings/netspend-corporation
One Technologies	Credit monitoring scheme	https://www.ftc.gov/enforcement/cases-proceedings/132-3021/one-technologies-lp
Oro Marketing	Telemarketing: Other	https://www.ftc.gov/enforcement/cases-proceedings/132-3047-x140010/oro-marketing-inc-et-al
Payday Support	Payday Loans	https://www.ftc.gov/enforcement/cases-proceedings/142-3110-x150027/payday-support-center-llc
Regency Financial	Auto loan negotiator	https://www.ftc.gov/enforcement/cases-proceedings/142-3059/regency-financial-services-llc
Rincon Management Services	Third Party Debt Collection	https://www.ftc.gov/enforcement/cases-proceedings/112-3142/rincon-management-services-llc
Tax Club	Business Opportunity Scam	https://www.ftc.gov/enforcement/cases-proceedings/122-3071-x130019/tax-club-inc-et-al
T-Mobile	Unauthorized third party charges	https://www.ftc.gov/enforcement/cases-proceedings/132-3231/t-mobile-usa-inc
Top Shelf Marketing	Business Opportunity Scam	https://www.ftc.gov/enforcement/cases-proceedings/142-3228/top-shelf-marketing-corp
TracFone	Unlimited data plans	https://www.ftc.gov/enforcement/cases-proceedings/132-3176/straight-talk-wireless-tracfone-wireless-inc
Vantage Funding	Payday Loans	https://www.ftc.gov/enforcement/cases-proceedings/1323055-x130057/caprice-marketing-et-al
Volkswagen 2.0	Misrepresented auto emissions	https://www.ftc.gov/enforcement/cases-proceedings/162-3006/volkswagen-group-america-inc
Volkswagen 3.0	Misrepresented auto emissions	https://www.ftc.gov/enforcement/cases-proceedings/162-3006/volkswagen-group-america-inc
Western Union	Payment processing	https://www.ftc.gov/enforcement/cases-proceedings/122-3208/western-union-company
Zadro Health	Health claims	https://www.ftc.gov/enforcement/cases-proceedings/152-3095/zadro-health-solutions-inc