

California Common Ground Conference
September 19, 2012

Remarks by Commissioner Julie Brill

Thank you, Attorney General Harris, for that kind introduction. I am delighted to be here today as we focus on our common mission of protecting consumers. As General Harris mentioned, my background—and my heart—are rooted in many years working on consumer protection and competition issues at the state level. I have been proud to work closely with many of my friends from California for more years than I care to count.

And now, under General Harris California's long tradition of leadership on consumer protection and competition matters has grown. General Harris was instrumental in obtaining the national mortgage settlement that will return millions of dollars to homeowners, and help many

Four years ago, this Nation suffered an economic downturn more severe than we had seen in generations. All of us in this room have focused on protecting those who have suffered, to assist them in climbing out of the abyss. We knew that there would be those who would take advantage of consumers suffering from the economic downturn, promising to alleviate their pain,

We are also focusing on a new, particularly troublesome debt collection practice that we call “phantom debt.”¹¹ Here’s the way it works: consumers receive collection calls, usually from call centers in India. The callers have personal information about the consumers—social security numbers, employers, account numbers. The callers assert that the consumers owe a debt, and then proceed to threaten them in ways that would be illegal even if the debt were real: consumers are told that their employers will be called, their wages will be garnished, or they will be arrested. One consumer was told her children would be taken away from her. Another was told there were 55 outstanding warrants for her arrest and that officials were on their way to arrest her if she did not pay.¹²

The harm is significant. In one of the cases the Commission alleges that 2.7 million calls were made to at least 600,000 different phone numbers and that, in less than two years, defendants collected more than \$5.2 million from consumers.¹³

Of course, a key question about “phantom debt” is how the callers got the personal information they use to convince consumers they owe the phantom debt. In our cases, the common factor appears to be that consumers have applied for or received online payday loans, and the phantom debt collectors somehow obtained the consumers’ personal financial information contained in the application.

These practices—like the “\$1 dollar” scams—target consumers already in economic stress, consumers who search for and obtain online payday loans. And given the enormity of the problem, civil enforcement may not always be enough. Our partners the U.S. Attorney’s Office for the Eastern District of California have been pursuing parallel proceedings against one group of phantom debt collectors, and recently filed a 21-count indictment against one of the ring leaders of the operation.¹⁴

Partnerships like that one are what this office is all about. Leveraging our scarce resources. Learning about creative solutions from each other. Using our tools most effectively to ensure that consumers are protected, and businesses that play by the rules aren’t disadvantaged by those that don’t. And that is where our next partner on the consumer protection beat—the Consumer Financial Protection Bureau—comes in.

¹¹ See press release Court Halts Alleged Fake Debt Collector Calls from India, Grants FTC Request to Stop Defendants Who Often Posed as Law Enforcement (Feb. 21, 2012), available at <http://www.ftc.gov/opa/2012/02/acc.shtm>; Court Halts Alleged Fake Debt Collector Calls from India, Grants FTC Request to Stop Defendants Who Posed as Law Enforcers (Apr. 11, 2012), available at <http://www.ftc.gov/opa/2012/04/broadway.shtm>

¹² See press release Apr. 11, 2012, *supra* note 11.

¹³ *Id.*

¹⁴ See press release California Man Previously Sued by FTC is Indicted on Criminal Charges for Phony Debt Collection Scam (Aug. 27, 2012), available at <http://www.ftc.gov/opa/2012/08/bgm.shtm>

One of Congress' responses to the economic crisis was to create the Consumer Financial Protection Bureau¹⁵, to ensure that protecting consumers is just as much a priority as—and indeed, goes hand-in-hand with—ensuring the safety and soundness of

I hope that the states and our other enforcement partners—those of you in the room today—will be part of this team. I look forward to working with each of you on our shared mission long into the future.

Thank you again for the important work that you all do each and every day to protect consumers, and for the countless ways you've helped the FTC fulfill its consumer protection mission over the years.

And thank you for the opportunity to join you today.