

**PREPARED STATEMENT OF THE FEDERAL TRADE COMMISSION
CURBING COVID CONS: WARNING CONSUMERS ABOUT PANDEMIC FRAUDS,
SCAMS, AND SWINDLES**

**Before the
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
SUBCOMMITTEE ON CONSUMER PROTECTION, PRODUCT SAFETY, AND DATA
SECURITY
UNITED STATES SENATE**

WASHINGTON, D.C.

APRIL 27, 2021

I.

Plan loan program administered by the Small Business Administration (SBA)⁸ In response, a federal court order has barred the defendants from misrepresenting affiliation with the SBA that they are authorized to issue SBA loans.⁹

In a second action against a government impostor, the FTC sued a company that allegedly deceived consumers with mailers that featured a Great Seal of the United States and a mock stimulus check and promised to get them federal COVID stimulus benefits.¹⁰ As alleged in the complaint, rather than assisting consumers obtain stimulus benefits, the mailers sought to lure consumers to a car dealership.

Companies also have been quick to capitalize on consumers' concerns about their health and safety. The FTC has sued entities for allegedly making promises to quickly ship much needed goods, including personal protective equipment (PPE) and cleaning products.¹¹ In one such action, the FTC sued a website operator who represented that critical PPE, such as masks and hand sanitizer, were in stock and would ship the next day. In reality, the Commission alleged, the defendant failed to ship the PPE for weeks without seeking consent for the delay or offering consumers refunds.¹²

⁸ See *supra* n. 6.

⁹ Stipulated Final Order, *FTC v. Ponte Investments, LLC*, Case No. 1:20-cv-01313 (FTC, 2020).

The FTC also has taken action against the operator of counterfeit websites that tricked consumers into paying for sanitizing products that were never delivered.¹³ The Commission obtained a federal court order that, while litigation proceeds, prohibits the defendants from making deceptive claims, suspending their deceptive websites, and banning them from using their websites to collect money from consumers.¹⁴

The Commission also has used its enforcement efforts to attack dangerous, false claims of COVID-19 treatments and cures. For example, the Commission sued a company that, even after receiving a warning from the FTC, deceptively advertised a \$23,000 treatment plan as a scientifically-proven way to treat COVID-19.¹⁵ During litigation, the court ordered the defendants to stop making deceptive health claims.¹⁶

Similarly, the Commission sued a marketer for making baseless claims that his dietary supplement could treat or prevent COVID-19,¹⁷ and issued an administrative order prohibiting

¹³ Complaint, *FTC v. One or More Unknown Parties Deceiving Consumers Into Making Purchases Through: www.cleanyos.com et al.*, Case No. 5:20cv-02494 (N.D. Ohio), available at https://www.ftc.gov/system/files/documents/cases/complaints/520cv02494_01_complaint.pdf

¹⁴ Preliminary Injunction, *FTC v. One or More Unknown Parties Deceiving Consumers Into Making Purchases Through: www.cleanyos.com et al.*, Case No. 5:20cv-02494 (N.D. Ohio), available at https://www.ftc.gov/system/files/documents/cases/ftc_v_unknown_preliminary_injunction_with_att_a.pdf

¹⁵ Complaint, *FTC v. Golden Sunrise Nutraceutical, Inc.*, Case No. 1:20cv-00540DAD-SKO (E.D. Cal.), available at https://www.ftc.gov/system/files/documents/cases/202_3146_golden_sunrise_nutraceutical_complaint.pdf

¹⁶ Stipulation to Preliminary Injunction as to Defendants Golden Sunrise Nutraceutical, Inc, Golden Pharmaceutical, Inc., and Huu Tieu, *FTC v. Golden Sunrise Nutraceutical, Inc.* Case No. 1:20cv-00540DAD-SKO (E.D. Cal.), available at https://www.ftc.gov/system/files/documents/cases/030_gs_order_re_stipulation_pi_to_defs_golden_sunrise_nutraceutical_inc_golden_pharmaceutical_inc_and_tieu.pdf

Stipulation to Preliminary Injunction as to Defendant Stephen Meis, *FTC v. Golden Sunrise Nutraceutical, Inc.* Case No. 1:20cv-00540DAD-SKO (E.D. Cal.), available at https://www.ftc.gov/system/files/documents/cases/029_gs_order_re_stipulation_pi_to_def_meis.pdf

¹⁷ Complaint, *FTC v. Ching*, Case No. 2:20cv-03775 (C.D. Cal.), available at https://www.ftc.gov/system/files/documents/cases/whole_leaf_complaint.pdf Complaint, *In re Ching*, Docket No. 9394 (FTC), available at https://www.ftc.gov/system/files/documents/cases/d09394_administrative_part_iii_complaint.pdf

those claims in the future and requiring the defendant to notify consumers that the supplement will not treat, prevent, or reduce the risk of COVID¹⁸

In addition, to protect consumers attempting to replace or supplement income during the pandemic, the Commission along with 19 federal, state, and local partners led a nationwide crackdown against scams making false promises of income and financial independence.¹⁹

Starting in March 2020, the FTC also launched a campaign to challenge companies' deceptive COVID-19 claims—directing the companies to cure violations and pursuing enforcement actions if problematic claims were not quickly removed. To date, the FTC has issued more than 350 warning letters, many in conjunction with the Food and Drug Administration (FDA), to sellers and marketers that claimed that their products could treat or prevent COVID-19.²⁰ The Commission also issued warning letters with the Small Business Administration (SBA) regarding small business relief²¹ and joint letters with the Federal Communications Commission (FCC) to Voice Over Internet Protocol service providers and others “assisting and facilitating” illegal telemarketing calls, including calls to market products such as fraudulent home test kits²²

¹⁸ Decision and Order, *In re Ching*, Docket No. 9394 (FC), available at https://www.ftc.gov/system/files/documents/cases/d09394_whole_leaf_decision_and_order. The federal case is still pending.

¹⁹ FTC Press Release,

Warning letters can be issued more quickly than a court complaint and proved to be overwhelmingly successful in removing potentially dangerous claims from the markets. The Commission has monitored responses to these warning letters closely, and has been pleased to see that in the vast majority of cases, letter recipients removed problematic claims. The Commission is determined to pursue swift enforcement action against noncompliant warning letter recipients.

The FTC also took enforcement actions to protect consumers' privacy and data.²³ Although the conduct in these matters occurred before the COVID outbreak, the relief in these orders seeks to protect consumers from digital harms that have been exacerbated by the pandemic.²⁴

In light of the eviction crisis caused by the pandemic, the Commission has partnered with fellow enforcers at the C

ensure that tenant screening companies comply with the Fair Credit Reporting Act, so that consumers who have gone or will go through an eviction are not further stigmatized by incomplete or inaccurate information as they seek new housing.²⁶ The Commission is also monitoring and investigating conduct by multistate landlords that may violate the FTC Act or other laws if they evict tenants in violation of a national, state, or local eviction moratorium, as Acting Chairwoman Slaughter and Acting CFPB Director Uejio recently warned in a joint statement.²⁷

The Commission will remain vigilant in order to protect the public from harms that stem directly and indirectly from the COVID-19 pandemic. The FTC is committed to tackling emerging threats, adjusting our strategies wherever necessary, and working in close coordination with our partners

b.

2021, the FTC has received more than 436,000 such reports, resulting in \$399 million in fraud losses.³⁰

The FTC's monitoring and analyses of Sentinel data reveal

