



Federal Trade Commission

Consumer Protection Challenges and Priorities for 2014

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Good morning. I am delighted to be here with my state and local colleagues. I would like to thank the CFA for having me here today to discuss the FTC's consumer protection challenges and priorities for 2014.

The FTC protects consumers by stopping unfair, deceptive, or fraudulent practices in the marketplace. We conduct investigations, sue companies and people that violate the law, develop rules to ensure a vibrant marketplace, and educate consumers and businesses about their rights and responsibilities.

The Commission is first and foremost a law enforcement agency. Our "bread and butter" mission falls primarily into three categories – fighting fraud, stopping deceptive advertising, and protecting consumer privacy. Within these categories, we are focusing right now on five key themes that reflect the consumer protection needs in the marketplace today: (1) mobile and connected devices; (2) "Big Data"; (3) vulnerable and targeted groups; (4) gatekeepers and facilitators; and (5) pushing for new privacy and data security laws.

Mobile and Connected devices – The first area of focus is mobile technologies and

¹ The views expressed here are my own and do not necessarily represent the views of the Federal Trade Commission or any Commissioner. Special thanks to Molly Crawford for assisting in the preparation of these remarks.

connected devices. Over the last few years, mobile technology has become one of the main priorities for the Commission. For example:

Mobile Unit: We created an entire Mobile Technology Unit to coordinate

Internet of Things Workshop: In December, the FTC held a workshop on the “Internet of Things” – the phenomenon where consumers can connect remotely to their refrigerators, bank accounts, thermostats, cars, and many other products and devices. The workshop brought together stakeholders to explore the security and privacy issues related to increased connectivity for consumers, including areas such as smart homes, connected health and fitness devices, and connected cars. Following the workshop and a public comment period, we are developing a report to summarize the findings and, where appropriate, set forth best practices for managing privacy and security with new interconnected devices.

Spring Privacy Series: We are in the middle of a three-part “Spring Seminar Series” to discuss several trends in Big Data and their impact on consumer privacy. The series is focusing on mobile device tracking in retail stores; the use of predictive scoring to help companies predict consumer behavior and shape how they market to particular consumers; and

Telecheck and Certegy: The FTC aggressively enforces the Fair Credit Reporting Act (FCRA), which sets forth procedures governing some of the most important uses of Big Data – determining whether to give consumers credit, a job, or insurance. Recently the Commission obtained \$3.5 million penalties from TeleCheck and Certegy, two companies that advise merchants on whether to accept consumers’ checks, based on their past financial history. The complaints alleged that TeleCheck and Certegy violated the FCRA by failing to have appropriate procedures for consumers to dispute potential errors in their financial histories and failing to maintain the accuracy of the data provided to merchants. These types of violations can cause consumers to be denied the ability to write checks and obtain essential goods and services, like food and medicine.

Data Security & Breach Notification Legislation: In recent testimony before Congress, the FTC reiterated its strong, bipartisan support for federal legislation that would (1) strengthen its existing authority governing data security standards on companies and (2) require companies, in appropriate circumstances, to provide notification to consumers when there is a security breach. Never has the need for legislation been greater. With reports of data breaches on the rise, and with a significant number of Americans suffering from identity theft, the Commission needs to act.

Other Legislative Proposals: In our 2012 Privacy Report, the Commission also called for general privacy legislation, as well as targeted legislation requiring data brokers to provide consumers with more transparency and choice about the data they hold about them. Although the current Commission has not weighed in on these legislative proposals, many of us at the Federal Trade Commission strongly support enactment of such legislation to protect consumers across the many contexts in which their data is collected, and level the playing field and provide clear rules of the road for businesses.

Protecting vulnerable consumers and targeted groups – We have also made it a priority to stop fraudulent and deceptive practices targeted at particular groups of consumers, including Spanish-speaking consumers, seniors, and financially-distressed consumers. Some of our work in this space includes:

Senior Safe Alert: Earlier this year the FTC and the Florida Attorney General halted and froze the activities of an Orlando-based operation that used robocalls to pitch purportedly “free” medical alert devices to senior citizens by falsely representing that the devices had been purchased for them by a

relative or friend. The defendants also allegedly led consumers to believe that the devices were endorsed by various health organizations and that they would not be charged anything before the devices were activated. Many of the consumers who received the defendants' calls are elderly, live alone, and have limited or fixed incomes.

Oro Marketing: Also, earlier this year, the Commission shut down Oro Marketing, a telemarketing operation that allegedly targeted Hispanic consumers with false promises that they could make money by reselling high-end goods such as Gucci and Ralph Lauren, and then charged them between \$400 and \$490 up-front for shoddy, off-brand products. We also alleged that the telemarketers threatened consumers who refused to pay with arrest and phony lawsuits, and made other intimidating statements.

Prime Legal: In 2012, as part of the Distressed Homeowner Initiative, a multi-agency federal enforcement crackdown, the FTC charged eleven companies and five individuals with running an illegal mortgage relief scheme, which operated under various names, including Prime Legal Plans. Using a sham non-profit front, and a maze of other companies, the scheme reeled in consumers with false promises that enrollment would save their homes from foreclosure or result in lower mortgage payments. As part of Prime Legal's settlement with the FTC, the Commission obtained \$3.6 million in redress, and defendants were required to surrender their assets and were banned permanently from providing mortgage relief and debt relief services to consumers.

COPPA: The Commission also continues to focus on providing strong safeguards for sensitive data, including information about children. For example, last year the FTC's final Children's Online Privacy Protection Act Rule went into effect. The new Rule responds to collection practices made possible by new technology – namely, data-gathering tools like social media and mobile applications – and gives parents greater control over the personal information that websites and online services may collect from children under 13.

“Gatekeepers and Facilitators” – In addition to targeting fraudsters, we have made it a priority to target entities and practices that enable fraud and deception to occur – in other words, the “gatekeepers and facilitators.” Examples of our work in this area include:

Payment processors and lead generators: We have targeted payment

processors, lead generators, and others who knowingly facilitate fraud and deception. For example, in *Process America*, we alleged that the company used unfair tactics to open and maintain scores of merchant accounts for Infusion Media, which perpetrated the “Google Money Tree” work-at.Bt4W00.00.18898W

Thank you again for having me here today. I'm happy to take any questions.