



**ANNUAL REPORT  
ON THE CONSUMER AFFAIRS  
ACTIVITIES OF THE  
DEPARTMENT OF AGRICULTURE  
AND CONSUMER SERVICES  
FOR 2004**

**J. Carlton Courter, III, Commissioner**

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Annual Report on the Consumer Affairs Activities  
of the Department of Agriculture and Consumer Services for 2004

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## Executive Summary

The Office of Consumer Affairs (OCA) in the Division of Consumer Protection serves as the clearinghouse for the collection, investigation, or referral of consumer complaints. OCA's legal authority to receive and investigate complaints regarding illegal, fraudulent, or deceptive business practices is provided in Title 3.1, Chapter 3.1 of the Code of Virginia.

OCA is committed to providing timely and professional services to consumers, businesses and regulated entities alike. To facilitate those services, OCA is divided into four functional areas whose respective duties and responsibilities are further described in this report. In addition to consumer counseling and the investigation of consumer complaints, OCA also administers seven regulatory programs, provides dispute resolution services, and conducts consumer awareness and education initiatives. During the year, OCA staff:

- Received 5,217 new written complaints, and closed 5,363 complaints, including several carried over from the previous year, which resulted in \$1,971,235 worth of consumer recoveries.
- Handled 35,485 calls to the Consumer Protection Hotline on a wide range of consumer issues while maintaining an average caller wait time of 15 seconds.
- Conducted 29 significant public outreach efforts, including 13 major presentations to different entities to civic associations, professional organizations, and senior citizen groups.
- Maintained in excess of \$48 million in surety posted by regulated entities, which is typically used to refund consumers for the unused portion of their contracts if the regulated entities go out of business.
- In conjunction with staff in the agency's Information Systems Office and the Virginia Information Providers Network, successfully launched an on-line registration program for sellers of legal services plans.
- Granted 5,461 registrations to regulated entities, tracked 723 professional solicitation campaigns, and monitored the opening of 80 new health spas and the closure of 24 others.
- Provided the public with information about charitable organizations in order to help individuals make informed decisions about their donations, including responding to 492 requests for information involving 1,446 organizations.

This report also includes graphics depicting the number of complaints received every year since 1999, the top ten complaint categories for 2004, a listing of localities in Virginia generating 100 or more complaints, and an organization chart.

## I. LEGISLATIVE MANDATE

This document complies with the provisions of House Bill 886 of the 1996 General Assembly, which requires the Commissioner of Agriculture and Consumer Services to submit an annual report to the Chairmen of the Senate Committee on Agriculture, Conservation, and Natural Resources and the House Agriculture Committee, on his activities in the following areas:

- a) The establishment of mechanisms by which to receive complaints and related inquiries from consumers involving violations or alleged violations of any law designed to protect the integrity of consumer transactions in the Commonwealth pursuant to subdivision A4 of Section 3.1–14 of the Code of Virginia (Code); and
- b) The establishment and administration of programs that facilitate the resolution of such complaints and related inquiries pursuant to subdivision A5 of Section 3.1–14 of the Code.

## II. GENERAL OVERVIEW

The Office of Consumer Affairs (OCA) in the Division of Consumer Protection serves as the clearinghouse for the collection, evaluation, investigation, or referral of consumer complaints. Title 3.1, Chapter 3.1 of the Code, provides the legislative authority for OCA to receive and investigate complaints regarding illegal, fraudulent, or deceptive business practices.

Specific statutes administered by OCA include the Virginia Consumer Protection Act, Automobile Repair Facilities Act, Collision Damage Waiver Act, Comparison Price Advertising Act, Extended Service Contract Act, Home Solicitation Sales Act, Legal Services Plan Sellers, Motor Vehicle Manufacturers' Warranty Adjustment Act, Pay-Per-Call Services Act, Prizes and Gifts Act, Telephone Privacy Protection Act, Virginia Anti-Price Gouging Act, Virginia Credit Services Businesses Act, Virginia Health Spa Act, Virginia Lease-Purchase Agreement Act, Virginia Membership Camping Act, Virginia Solicitation of Contributions Law, Public Telephone Information Act, and Virginia Travel Club Act.

OCA also administers seven regulatory programs in the following areas:

- Charitable Solicitations
- Credit Services Businesses
- Extended Service Contracts
- Health Spas
- Legal Services Plan Sellers
- Membership Campgrounds
- Travel Clubs

During the year, OCA received 5,217 new written complaints, and closed 5,363 complaints, including several carried over from the previous year, which resulted in \$1,971,235 worth of consumer recoveries.

OCA is committed to providing timely and professional services to consumers, to the business

community, to contributors and customers of regulated entities, and to the regulated entities themselves. To facilitate delivery of these services, OCA's organizational structure is divided into four distinct areas of activity:

- Counseling, Intake and Referral Unit
- Dispute Resolution Unit
- Investigations Unit
- Regulatory Programs Unit

### III. COUNSELING, INTAKE, AND REFERRAL UNIT

The Counseling, Intake, and Referral Unit (CIRU) handles the initial review and processing of all consumer complaints submitted to OCA. All pertinent statistics and information are entered into the agency's computer system. Complaints are then assigned to the appropriate OCA unit, or to federal, state, or local agencies having specific jurisdiction. Complaints that do not involve a violation of any statute or regulation administered by OCA, do not meet the criteria for formal dispute resolution, and are not under the jurisdiction of another agency are processed by CIRU. This involves contacting the entity named in the complaint and requesting their response to the allegations. The complainant is advised of this action and a follow-up schedule is established to afford the entity time to address the issue. Complaints are tracked until a final disposition is reached and recorded. In cases where no resolution is achieved, complainants are advised of any remaining recourse available to them. Records of complaints are maintained for three years.

#### *The Consumer Protection Hotline*

The Consumer Protection Hotline has been in operation since July 1, 1996. The numbers for the Hotline are (800) 552-9963 throughout the state, and 786-2042 in the Richmond area. The Hotline is staffed from 8:15 AM to 5:00 PM during business days. During the year, three full-time counselors provided advice and guidance to more than 35,485 callers on a wide range of consumer issues while maintaining an average caller wait time of 15 seconds.

#### *Consumer Education and Fraud Prevention Efforts*

OCA strives to prevent victimization of consumers through the distribution of meaningful educational materials via a network of consumer science instructors and speakers who routinely address citizen groups about trends in consumer fraud. OCA staff also participates in numerous outreach activities that are part of a larger effort to reduce the incidence of economic crime and improve the ability of the public to make more informed buying decisions. During the year, OCA conducted 29 significant public outreach efforts, including 13 major presentations to different entities to civic associations, professional organizations, and senior citizen groups.

### *Consumer Affairs Advisory Committee*

Commissioner J. Carlton Courter, III established the Consumer Affairs Advisory Committee (CAAC) in 1997. Members include eight citizen representatives, six representatives from state agencies, and one member from the Board of Agriculture and Consumer Services. At semi-annual meetings, members communicate the views and interests of Virginians on issues related to the agency's consumer education and fraud prevention programs. CAAC members also addressed or participated in several major projects during the year, including the LifeSmarts competition, which is a national event, styled as a game show, that tests high school students' knowledge of consumer and financial management issues, as well as National Consumer Protection Week, a national consumer awareness effort spearheaded in February of each year by the Federal Trade Commission. The theme for 2004 was financial literacy.

#### IV. DISPUTE RESOLUTION UNIT

Section 3.1-14 of the Code requires the Commissioner to establish and administer programs that facilitate resolution of complaints and inquiries involving alleged violations of any law designed to protect the integrity of consumer transactions in the Commonwealth. This directive led to the establishment of the Dispute Resolution Unit in 1996. The unit attempts to resolve consumer conflicts through alternative dispute resolution methods such as early neutral case evaluation, conciliation, mediation, or arbitration. Post-resolution surveys administered to the parties involved in proceedings administered by the unit indicate a satisfaction rate of 93%. The unit leverages its effectiveness by actively promoting, helping to develop, and providing technical support to a professional network of dispute resolution specialists who conduct many hearings of OCA cases at any one of the ten community mediation centers throughout Virginia.

#### V. INVESTIGATIONS UNIT

The Virginia Consumer Protection Act, Section 59.1-196 et seq. of the Code, gives authority to the Commissioner to inquire into alleged violations of the Act and, if necessary, to request an appropriate legal official to bring action to enjoin such violations. The Act gives broad powers to the Attorney General and local legal officials and delineates various misrepresentations and deceptions as prohibited practices if committed by a supplier in connection with a consumer transaction. It also provides for the enforcement of other consumer protection laws by declaring violations of those statutes as prohibited practices.

Staff works closely with the Office of Attorney General and local Commonwealth's Attorneys to obtain Assurances of Voluntary Compliance or injunctions to stop illegal activities, and to pursue civil and criminal prosecutions. Investigators submit summaries of their findings in each case, along with supporting documentation and exhibits. If required, they also provide testimony during trials. During the year, staff continued to meet with top management of several companies in pursuit of voluntary compliance as the preferred method of complaint resolution. This strategy has resulted in the more expedient resolution of numerous complaints. Staff also continued to work closely with the Department of Professional and Occupational Regulation, the Department of Game and Inland Fisheries, the State Corporation Commission, and the Motor Vehicle Dealer Board in the referral, coordination, and investigation of consumer complaints that involve shared jurisdiction.

## VI. REGULATORY PROGRAMS

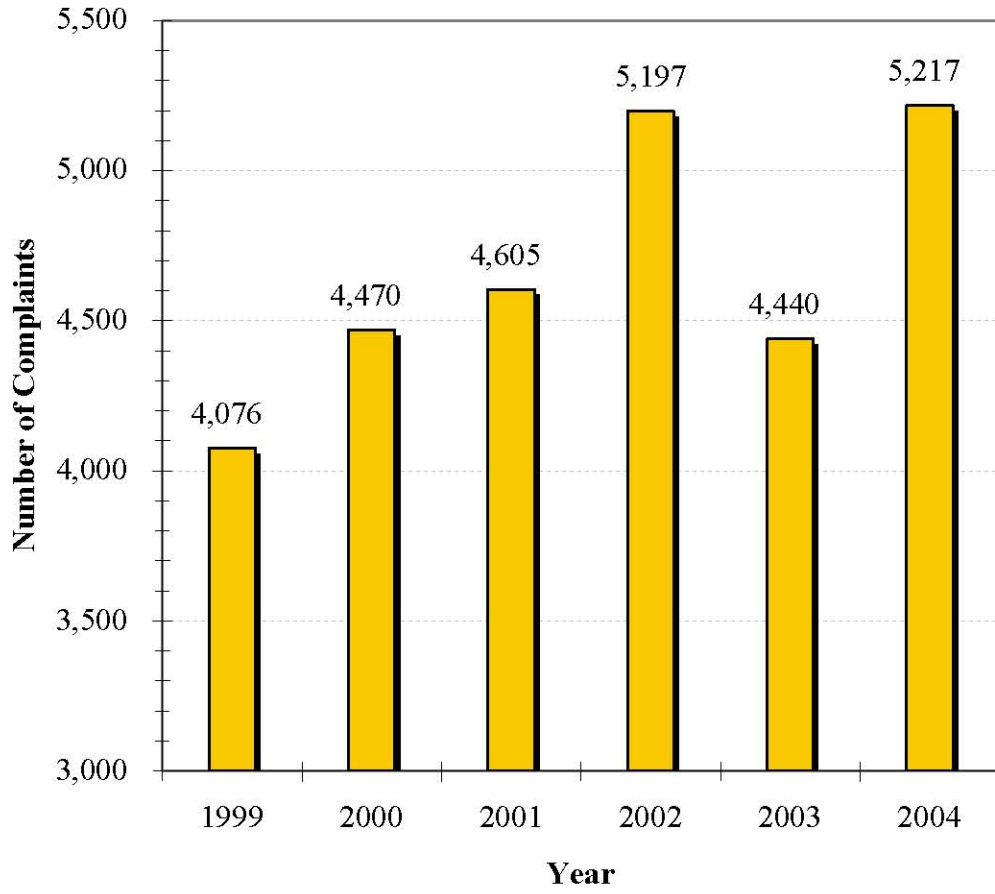
OCA's regulatory activities include the oversight of all registrations, investigations, and related surety management for charitable solicitations, health spas, credit services businesses, extended service contract providers, legal services plan sellers, membership campgrounds, and travel clubs. During the year, OCA staff:

- Maintained in excess of \$48 million in surety posted by regulated entities, which is typically used to refund consumers for the unused portion of their contracts if the regulated entities go out of business.
- In conjunction with staff in the agency's Information Systems Office and the Virginia Information Providers Network, successfully launched an on-line registration program for sellers of legal services plans.
- Granted 5,461 registrations to regulated entities, tracked 723 professional solicitation campaigns, and monitored the opening of 80 new health spas and the closure of 24 others.
- Provided the public with information about charitable organizations in order to help individuals make informed decisions about their donations, including responding to 492 requests for information involving 1,446 organizations and 10,530 pages of related documentation.

## VII. LEGISLATIVE ACTIVITY

During the 2004 session of the General Assembly, OCA staff assisted in the preparation of legislative analyses and tracking of 39 different bills.

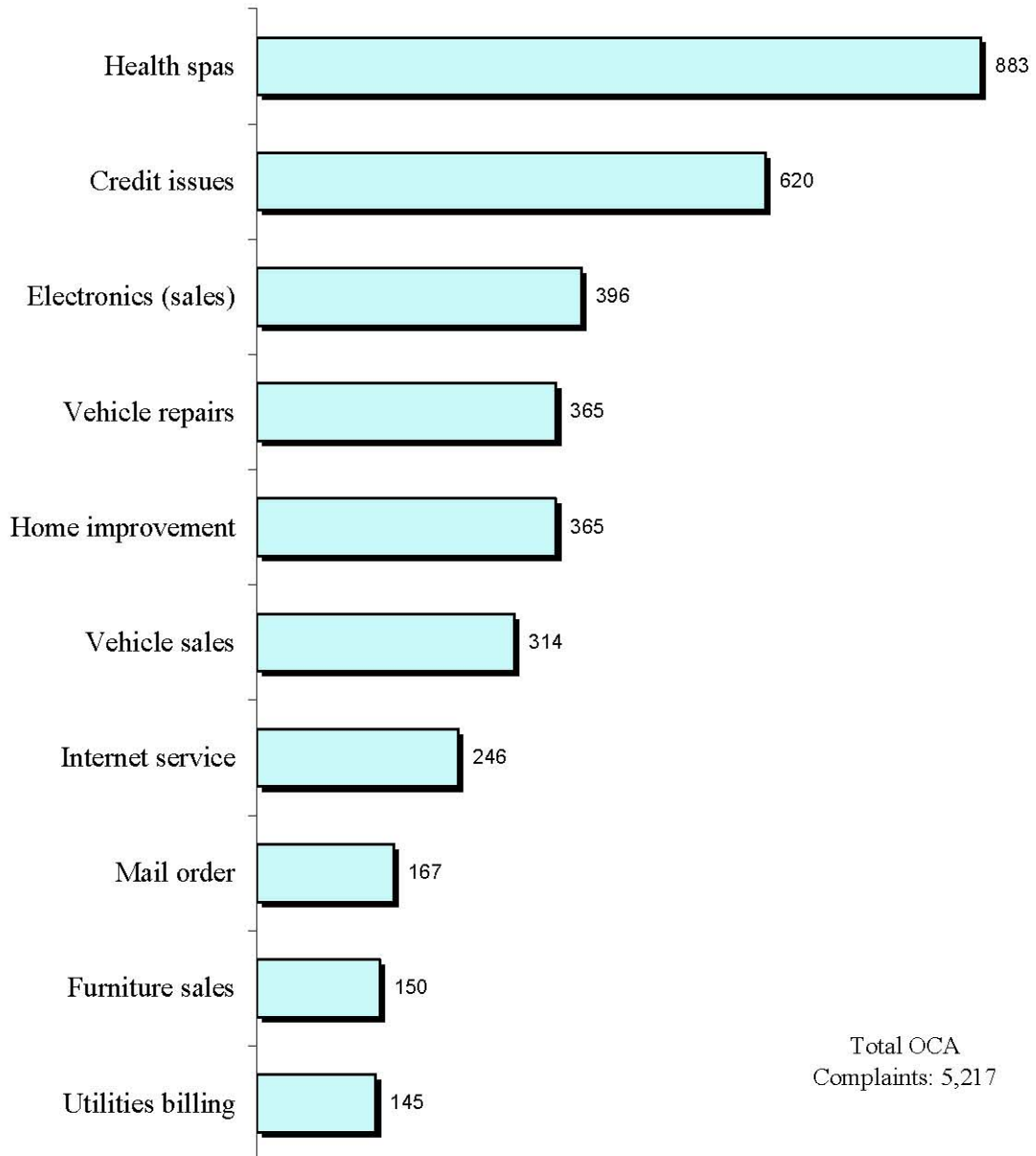
### Complaints Received by Year





## Top Ten Complaint Categories - 2004

*Number of complaints per category*



### Localities Generating 100 or More Complaints - 2004

