



*VIRGINIA DEPARTMENT
OF AGRICULTURE AND
CONSUMER SERVICES*

**ANNUAL REPORT TO THE GENERAL ASSEMBLY
ON THE CONSUMER AFFAIRS ACTIVITIES OF THE
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES
FOR 2011**

**Matthew J. Lohr
Commissioner**

**Annual Report to the General Assembly on the Consumer Affairs Activities of the
Virginia Department of Agriculture and Consumer Services for 2011**

Executive Summary

The Office of Consumer Affairs (OCA) in the Virginia Department of Agriculture and Consumer Services 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 3.2, Chapter 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 three functional areas. In addition to complaint intake, 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.

This report includes key performance indicators including complaint workload, value of consumer recoveries, number of calls to the Consumer Protection Hotline, number of registrations granted and amount of surety held, and consumer education and outreach efforts.

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I. LEGISLATIVE MANDATE

This document complies with the provisions of § 3.2-102 of the Code of Virginia 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 Committee on Agriculture, Chesapeake and Natural Resources, on the consumer affairs activities of the Virginia Department of Agriculture and Consumer Services.

II. GENERAL OVERVIEW

The Office of Consumer Affairs (OCA) serves as the clearinghouse for the collection, investigation, and referral of consumer complaints involving 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 the *Virginia Travel Club Act*.

During the year, OCA received 2,821 new consumer complaints, referred 370 complaints to appropriate agencies, and closed 3,417 complaints, which included several carried over from the previous year and resulted in \$835,795 worth of consumer recoveries. The top ten categories of consumer complaints received are as follows:

| Category | Number | Pct. Of Caseload |
|---|--------------|------------------|
| Credit Issues / Debt Collection | 559 | 19.8% |
| Auto Sales | 266 | 9.4% |
| Auto Repair | 214 | 7.5% |
| Home Improvement | 212 | 7.5% |
| Electronics | 191 | 6.8% |
| Medical | 106 | 3.8% |
| Internet transactions and service providers | 98 | 3.5% |
| Recreation Property (time shares) | 93 | 3.3% |
| Direct Sales | 90 | 3.2% |
| Furniture | 68 | 2.4% |
| Top Ten Total | 1,897 | 67.2% |
| Other Categories | 924 | 32.8% |
| Total | 2,821 | 100.0% |

The number of formal complaints received by OCA during the last decade and the estimated value of consumer recoveries are as follows:

| Year | Complaints | Est. Value of Recoveries |
|---------|------------|--------------------------|
| 2011 | 2,821 | \$ 835,795 |
| 2010 | 2,489 | \$ 503,376 |
| 2009 | 2,585 | \$ 1,044,575 |
| 2008 | 3,656 | \$ 808,141 |
| 2007 | 4,278 | \$ 1,942,596 |
| 2006 | 3,545 | \$ 1,773,546 |
| 2005 | 4,120 | \$ 1,913,632 |
| 2004 | 5,217 | \$ 1,971,235 |
| 2003 | 4,440 | \$ 2,135,801 |
| 2002 | 5,197 | \$ 1,663,817 |
| 2001 | 4,605 | \$ 1,565,291 |
| 2000 | 4,470 | \$ 2,201,880 |
| Average | 3,952 | \$ 1,529,974 |

III. ORGANIZATION AND ACCOMPLISHMENTS

OCA is committed to providing timely and professional services to consumers, to the business community, and to the regulated entities themselves. To facilitate delivery of these services, OCA is divided into three distinct functional areas, as follows.

Counseling and Intake Unit

The Counseling and Intake Unit handles the initial review and intake of all consumer complaints received by OCA. After all pertinent information is entered into a tracking database, the complaints are either assigned within OCA or referred to the appropriate local, state or federal agency having specific jurisdiction. Complaints are tracked until a final disposition is reached and recorded. Records of closed complaints are maintained for three years.

The Consumer Protection Hotline and LiveHelp

The Consumer Protection Hotline has been in operation since July 1, 1996. Hours of operation are 8:15 AM to 5:00 PM during business days. This function is supported through the use of a modern call handling system. During the year, counselors provided advice and guidance to more than 44,784 callers on a wide range of consumer issues. Consumers can also reach staff through Live Help, a messaging application that is accessible through the agency's website.

Consumer Education and Fraud Prevention Efforts

OCA seeks to prevent consumer victimization through the distribution of educational materials via a network of consumer science instructors and speakers. OCA staff also participates in 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 presentations to civic associations, professional organizations, and senior citizen groups. Staff also helped promote National Consumer Protection Week, a consumer awareness effort spearheaded in February of each year by the Federal Trade Commission. The theme for 2011 was "Your Information Destination: www.NCPW.gov."

Dispute Resolution and Investigations Unit

The unit offers alternative dispute resolution methods such as early neutral evaluation, conciliation, mediation, and arbitration. Unit staff participates actively in the promotion of dispute resolution programs at colleges and community conflict resolution centers throughout Virginia. The unit also investigates violations of the Virginia Consumer Protection Act (Act) and, if necessary, requests that legal officials bring action to enjoin such violations. The Act gives broad powers to the Attorney General and local legal officials, and prohibits numerous misrepresentations and deceptions in transactions between suppliers and individual consumers. The Act also provides for the enforcement of other consumer protection laws by declaring violations of those statutes as prohibited practices. During the year, staff provided alternative dispute resolution services in 1,755 cases and investigated 1,591 complaints.

Unit staff works closely with the OAG and local Commonwealth's Attorneys to obtain Assurances of Voluntary Compliance to stop illegal activities, and to pursue civil and criminal prosecutions. As necessary, investigators submit summaries of their findings along with supporting documentation and exhibits and provide testimony during trials.

Unit staff participates in the Foreclosure Rescue Scam Task Force, an effort that is coordinated by the OAG and includes representatives from the Bureau of Financial Institutions at the State Corporation Commission. The Task Force provides a forum for the exchange of information regarding foreclosure rescue scams and the organizations involved in these scams.

In May 2011, Attorneys General in all 50 states and the District of Columbia reached a settlement with the bankrupt video rental chains Hollywood Video and Movie Gallery regarding the business practices of their third-party debt collectors, Credit Control Services, Inc. and National Credit Solutions. These two debt collectors were hired to collect money allegedly owed for late fees and/or the replacement of unreturned or damaged products. Under the settlement, the companies agreed to rescind all previously submitted credit information, refrain from filing further reports with the credit reporting bureaus, refrain from imposing collection fees or interest on consumers, and refrain from collecting on both late fees and

product charges. OCA received nearly 450 telephone calls and 150 written complaints from consumers regarding these businesses. Through collaboration with the Office of the Attorney General, OCA was able to resolve all of the written complaints it received from consumers.

Regulatory Programs Unit

OCA's regulatory activities include the oversight of all registrations, surety management, and related investigations involving charitable organizations that solicit donations, legal services plan sellers, professional solicitors, health spas, extended service contract providers, membership campgrounds, travel clubs, and credit services businesses. During the year, the unit:

- Granted 8,230 registrations to various regulated entities.
- Maintained approximately \$43.6 million in surety posted by regulated entities. The surety may be used to refund consumers for the unused portion of their contracts if the regulated entities go out of business.
- Monitored 31 openings and 96 closures of health spas.
- Granted 3,822 registrations to sellers of legal service plans.
- Investigated 71 consumer complaints
- Responded to 172 public inquiries regarding 1,545 charitable organizations in order to help individuals make informed donations.

Unit staff made numerous referrals of questionable documents involving non-profit organizations to the IRS' Exempt Organizations Classification Unit, and issued two warnings to the public during the year regarding unregistered charitable organizations.