

**Statement of Federal Trade Commission Acting Chairman Maureen K. Ohlhausen**

“Staying a Step Ahead: Fighting Back Against Scams Used to Defraud Americans”

Senate Committee on Commerce, Science, and Transportation  
Subcommittee on Consumer Protection, Product Safety, Insurance, and Data Security

March 21, 2017

Chairman Moran, Ranking Member Blumenthal, and members of the Subcommittee. I am pleased to appear before you today alongside my colleague Commissioner Terrell McSweeney and the other panelists to discuss the importance of combatting consumer fraud.

Protecting America's consumers involves several factors, including market forces, private rights, and public law enforcement.<sup>1</sup>

The first factor is a competitive marketplace in which consumers have adequate information and a variety of choices. In these circumstances, most companies will care about their reputation and their ability to attract repeat customers. Companies will therefore have incentives to be honest and keep the promises they make to consumers or else lose out to their competitors.

The second factor is private legal rights, as well as effective mechanisms to enforce those rights. The ability of consumers to bring legal action to enforce their rights in the face of, for example, a breach of contract is an important protection for consumers.

The third factor is public law enforcement by the FTC, state Attorneys General, and other entities. This is necessary in instances when a competitive marketplace and private litigation are not enough to protect consumers. A prime example of this is the subject of today's hearing: consumer fraud. A fraudster is often immune to market forces because it does not care about its reputation or attracting repeat customers. In addition, fraudsters will typically take steps to avoid detection of their scams or to

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<sup>1</sup> See, e.g., Timothy J. Muris, Chairman, Fed. Trade Comm'n, The Federal Trade Commission and the Future Development of the U.S. Consumer Protection Policy (Aug. 19, 2003), <https://www.ftc.gov/public-statements/2003/08/federal-trade-commission-and-future-development-us-consumer-protection>.

dissipate assets making it difficult for consumers to vindicate their rights in the court system.

Many consumers are thus left without a viable recourse against fraudulent practices. In these circumstances, the FTC, as the nation's primary consumer protection agency, must step in. As Acting Chairman, I have instructed Commission staff to focus our law enforcement efforts on stopping fraudulent practices, particularly those that are causing the largest consumer harm. Doing so will ensure that the Commission is using its resources for the maximum benefit of consumers.

I would like to touch briefly today on two populations in particular: military consumers and small businesses.

Military consumers are an attractive target for fraudsters. They receive a regular paycheck, change addresses frequently, and belong to a close-knit community.<sup>2</sup> In calendar year 2016, the FTC's Consumer Sentinel Network database received over 103,000 complaints from military and veteran consumers, the vast majority of which were about imposter scams, identity theft, and other frauds.<sup>3</sup> Protecting those consumers who are protecting our country is of paramount importance, but clearly there is still work yet to do.

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<sup>2</sup> See Major Cindie Blair, *Solutions for Victims of Identity Theft: A Guide for Judge Advocates to Assist Servicemembers in Detering, Detecting, and Defending Against this Growing Epidemic*, 2011-JUN Army Law. 24, 26-29 (2011).

<sup>3</sup> Fed. Trade Comm'n, Consumer Sentinel Network Report (2016), <https://www.ftc.gov/enforcement/consumer-sentinel-network/reports>.

Small businesses are also attractive targets for fraud. The Better Business Bureau reports that thousands of small businesses are the targets of scams each year.<sup>4</sup> Fraudsters often take advantage of the fact that many small businesses lack a sophisticated recordkeeping system and are thus more susceptible to fake invoices, phishing attacks, and marketing scams.<sup>5</sup> Frauds targeting small businesses, many of which are scrambling just to make ends meet, can have a stifling effect on innovation and competition in the marketplace.

The Commission also actively works to help consumers recognize frauds before they fall victim. The Commission produces websites, brochures, and other materials to educate the public on common scams and how to avoid them. Often, these materials are geared towards frequently targeted groups, such as seniors, Spanish-speakers, and the two groups I mentioned: military consumers and small businesses. For example, we have a website, [military.consumer.gov](http://military.consumer.gov), devoted to educating military consumers about consumer fraud issues. I have also directed Commission staff to create a webpage for small businesses on which we will provide a one-stop shop for all of our guidance to small businesses on how to avoid scams. I invite the Subcommittee to consider linking to our materials for the benefit of your constituents.

I am proud of the work the FTC has done to combat fraud, but we cannot become complacent or distracted from that core mission. Fraudsters are always thinking up new

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<sup>4</sup> Better Business Bureau, Scams that Target Small Businesses (2017), <http://www.bbb.org/wisconsin/news-events/news-releases/2017/01/scams-that-target-small-businesses>.

<sup>5</sup> See *id.*; see also Fed. Trade Comm'n, Small Business Scams, <https://www.ftc.gov/tips-advice/business-center/guidance/small-business-scams>.

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scams, and the Commission must be and will be at the forefront of protecting America's consumers. Thank you and I look forward to your questions.