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A Review of Debt Collection Complaints Submitted to the Consumer Financial Protection Bureau's Complaint Database in 2016

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Introduction

This paper examines consumer complaints about debt collection submitted to the Consumer Financial Protection Bureau (CFPB) consumer complaint database in 2016. ACA International's research department conducted an analysis of the quantitative data available from the complaints database. The findings suggest that while the overall raw number of complaint submissions appears high for the debt collection industry, once the data has been properly contextualized, the number of consumer complaints is remarkably low.

Summary of findings:

- » Based on the raw number of complaints submitted to the complaints database, debt collection was the third most complained about product category in the CFPB consumer complaint database in 2016. Three sub-product categories account for 66% of the total debt collection complaints: *Other (phone, health club, etc.)*, *Credit Card*, and *Medical*.
- » **The total number of debt collection complaints received by the CFPB represents an incredibly small number of consumers (0.004%) who had contact with the debt collection industry during 2016. Further, the complaints account for only .05% of all Americans estimated to have a debt in collection.**
- » **Response options that measure harassment or illegal practices were rarely selected by consumers and represent an exceptionally small number of responses. These data suggest that consumers are not complaining about harassing or harsh debt collection practices and that the majority**

of debt collectors are adhering to legal requirements and ethical guidelines.

- » A substantial majority (91%) of complaints were responded to in a timely manner by debt collection agencies.
- » The majority of cases were closed with explanation (78%) and did not require any additional form of relief for resolution.
- » The majority of consumer complaints submitted to the CFPB are often more useful as tools to spur continual improvement of existing debt collection practices rather than indicators of the compliance commitment of legitimate debt collectors.

Debt Collection and the Consumer CFPB Complaint Database

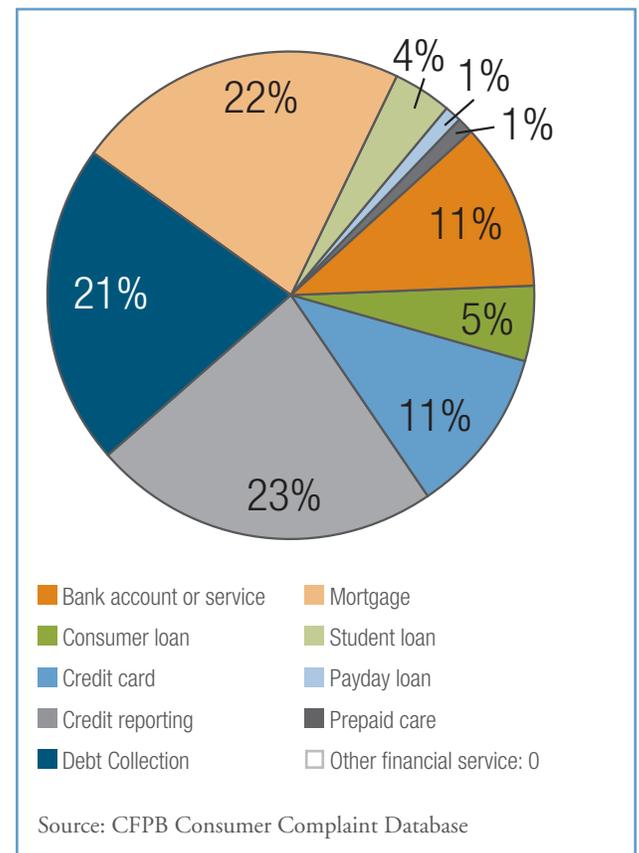
The Consumer Financial Protection Bureau (CFPB) began soliciting and cataloging consumer complaints in July 2011. The CFPB undertakes this task with the goal of gathering data to gain an understanding of the consumer financial marketplace and “do a better job supervising companies, enforcing federal consumer financial laws and writing rules and regulations.”^[1] As part of this process, the CFPB database enables consumers to submit complaints across a range of financial service industries in an effort to facilitate communication and have individual grievances resolved.

In analyzing the CFPB's consumer complaint data, it is critical to understand that the CFPB very broadly defines a “complaint” as “submissions that express dissatisfaction with, or communicate suspicion of wrongful conduct by, an identifiable entity related to a consumer's personal experience with a financial product or service.”^[2] It is also important to note

that the CFPB does not verify the complaints that it receives from consumers for accuracy. This means that the CFPB counts alleged conduct by a debt collector that, even if true, would not be unlawful, as well as complaints that are factually inaccurate, as complaints. Despite these fundamental shortcomings, the CFPB continues to tout its consumer complaint data, including through monthly and annual reports.

This analysis examines complaints submitted to the CFPB in 2016, with a specific focus on complaint data submitted for Debt Collection. The complaints used in this analysis all had a submission date between 1/1/2016 and 12/31/2016 in the CFPB database. Similarly, this analysis only includes complaints sent to the company for response within the same time period. Complaints not submitted to companies for review until 2017 were excluded from this analysis. These parameters resulted in 187,818 complaints submitted to the CFPB in 2016. Data for this analysis were downloaded from the CFPB's complaint database January 5, 2017. The top three categories for complaints were Credit Reporting (43,540 complaints), Mortgage (40,726 complaints), and Debt Collection (39,483 complaints).^a Figure 1 shows the percentage of complaints across each of the CFPB's eleven financial services categories.

Figure 1. Percentage of Consumer Complaints across all Product Categories for 2016



The debt collection industry's place as one of the most complained about financial services is often noted by the CFPB and the media.^[3, 4, 5] However, these reports often fail to contextualize the number of complaints lodged with the CFPB within the larger context of the debt collection industry. Researchers have noted that on an annual basis, the debt collection industry makes over one billion consumer contacts.^[6, 7] Within this context, the 39,483 complaints submitted to the CFPB in 2016 account for roughly .004% of all consumer contacts made by the debt collection industry that year. Other research has found that 77 million Americans have a reported debt in collection.^[8] Based on this figure, the total complaints submitted to the CFPB account for .05% of Americans with a debt in collection. This demonstrates that while the raw number of debt collection complaints submitted to the CFPB may appear high, once placed into appropriate context those numbers are remarkably low.

^a The total number of complaints reported here, taken from the CFPB's online consumer complaint database, represents fewer overall complaints than the CFPB reports in its monthly complaint reports. This discrepancy is presumably accounted for by the CFPB's practice of including all complaints it receives in the monthly reports. As the CFPB itself notes "approximately 38,800 (or 45%) of the 85,900 debt collection complaints handled from October 1, 2015 through September 31, 2016 were sent by Consumer Response to companies for review and response. The remaining complaints were referred to other regulatory agencies (25%), found to be incomplete (7%), or are pending with the consumer or the CFPB (2% and 21%, respectively)."^[9] As such, ACA International cannot account for the nature or final disposition for those 55% of complaints.

Within the Debt Collection category, three sub-product categories, *Other (phone, health club, etc.)*, *Credit Card*, and *Medical* accounted for nearly 67% of the total complaints. Additionally, 32% of complaints submitted did not specify a sub-product category. Table 1 shows the distribution of complaints across all sub-product categories for Debt Collection.

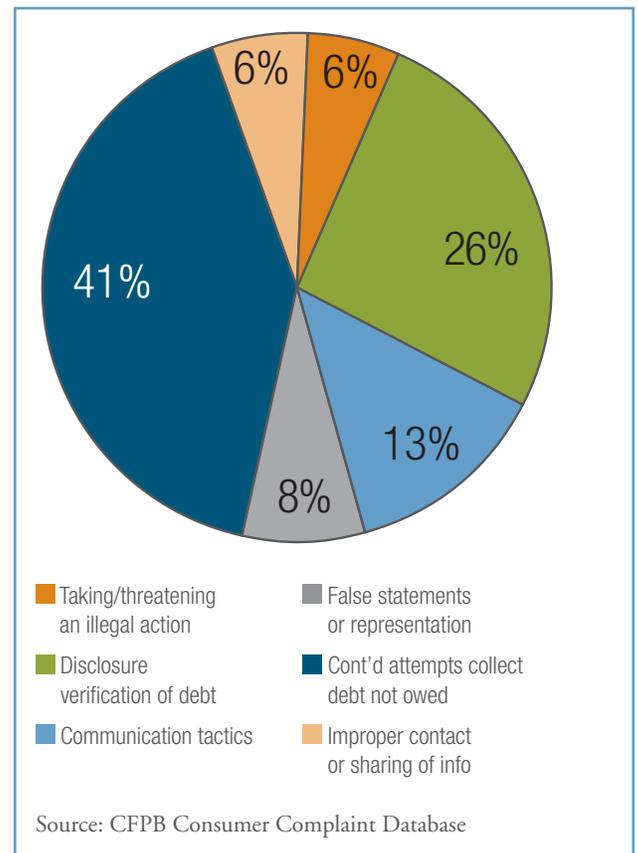
Table 1. Distribution of Complaints across Sub-products for all Debt Collection Complaints

Sub-Product Complaint Category	Total
Medical	6,684
Credit Card	7,191
Auto	1,025
Federal Student Loan	631
Non-federal Student Loan	690
Mortgage	1408
Other (phone, health club, etc.)	12,758
Payday Loan	1,637
Don't Know	7,459
Total	39,483

Source: CFPB Consumer Complaint Database

Consumers making a submission to the CFPB database have the option of choosing a primary issue and a sub-issue that best describes the nature of their complaint. Figure 2 shows the percentage of consumer complaints within each primary issue category for Debt Collection. The category *Continued attempts to collect a debt not owed* is the most commonly selected issue representing 41% of all submissions. The next two most selected issues are *Disclosure verification of debt* (26%) and *Communication tactics* (13%). Interestingly, those issues representing the most negative stereotypes about the debt collection industry were the categories consumers selected the least. The issues *False statements or representation* (8%), *Taking or threatening an illegal action* (6%), and *Improper contact or sharing of information* (6%) collectively represent only a fifth of all consumer complaints.

Figure 2. Percentage of Consumer Complaints by Issue for Debt Collection



The sub-issue categories help to further clarify the nature of consumers' complaints and provide a more detailed understanding of their issues. Table 2 shows the number of complaints for each sub-issue category. The top five most commonly selected sub-issues, *Debt is not mine* (24% of all selections), *Not given enough info to verify debt* (19%), *Debt was paid* (12%), *Frequent or repeated calls* (8%), and *Attempted to collect wrong amount* (6%) were distributed across several primary issue categories.

Table 2. Number and percentage of Submissions by Sub-issue Category for Debt Collection

Sub-issue Category	Total Submissions	Percentage of Submissions
Communication Tactics		
Frequent or repeated calls	3,168	8.02%
Called outside of 8am-9pm	187	0.47%
Used obscene/profane/abusive language	471	1.19%
Threatened to take legal action	1,115	2.82%
Called after sent written cease of communication	408	1.03%
Continued Attempts to Collect Debt Not Owed		
Debt was discharged in bankruptcy	617	1.56%
Debt resulted from identity theft	1,668	4.22%
Debt was paid	4,658	11.80%
Debt is not mine	9,355	23.69%
Disclosure Verification of Debt		
Right to dispute notice not received	2,165	5.48%
Not given enough info to verify debt	7,391	18.72%
Not disclosed as an attempt to collect	589	1.49%
False Statements or Representation		
Attempted to collect wrong amount	2,314	5.86%
Impersonated an attorney or official	344	0.87%
Indicated committed crime not paying	262	0.66%
Indicated shouldn't respond to lawsuit	72	0.18%
Improper Contact or Sharing of Information		
Contacted me after I asked not to	589	1.49%
Contacted employer after asked not to	486	1.23%
Contacted me instead of my attorney	50	0.13%
Talked to a third party about my debt	1,335	3.38%
Taking/Threatening an Illegal Action		
Threatened arrest/jail if do not pay	448	1.13%
Threatened to sue on too old debt	700	1.77%
Sued w/o proper notification of suit	384	0.97%
Sued where didn't live/sign for debt	115	0.29%
Attempted to/Collected exempt funds	226	0.57%
Seized/Attempted to seize property	366	0.93%

Source: CFPB Consumer Complaint Database

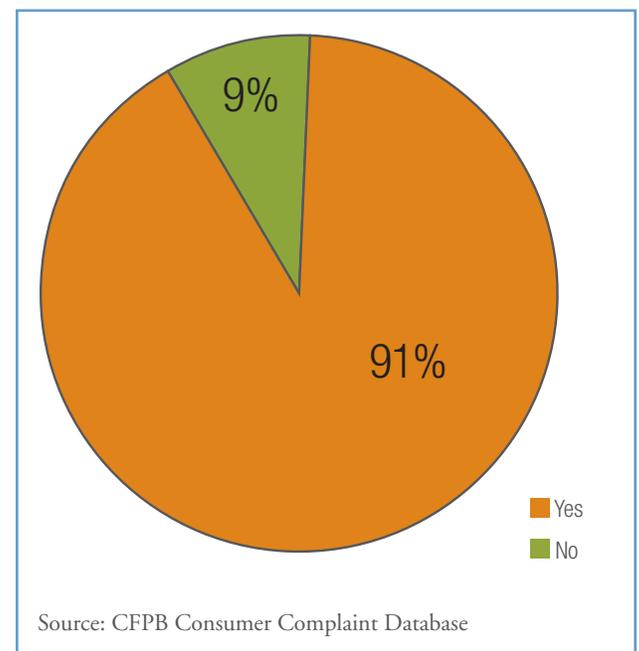
Two of the most frequently selected sub-issues, *Debt is not mine* and *Debt was paid* account for 86% of all submissions within the most commonly selected primary category *Continued attempts to collect a debt not owed*. Similarly, the sub-issue *Not given enough info to verify debt* represents 73% of all selections in the primary category *Disclosure verification of debt* while *Attempted to collect wrong amount* accounts for 77% of selections in the category *False statements or representation*. The sub-issue *Frequent or repeated calls* is part of the primary category *Communication tactics* and accounts for 59% of all submissions in that category.

Complaint submissions identifying issues such as *Debt is not mine*, *Debt was paid*, *Not given enough info to verify debt*, and *Attempted to collect wrong amount* might represent inefficiencies in the industry or incomplete communications between lenders and debt collectors. These types of complaints underscore the need for accurate data, clarity of communication with lenders, and continually updated and maintained records and record keeping processes. However, these categories of complaints do not necessarily indicate misconduct by debt collectors. Indeed, rather than providing evidence for the debt collection industry's failure to follow the law, this type of complaint data is more appropriately used as a tool to improve the debt collection process and consumer experience.

Notably, the most negative response options, which would implicate actual debt collector misconduct, are rarely chosen by consumers, and constitute a remarkably small proportion of total sub-issue complaints. For example, it could reasonably be expected that there would be a large number of submissions indicating *frequent or repeated calls*, as telephone calls are one of the primary methods debt collectors use to make contact with consumers. However, the primary category of *Communication tactics* also lists *Called outside of 8am-9pm* and *Called after sent written cease of communication* as response options. Consumers selected these categories only 0.5% and 1% of the time, respectively. This indicates that debt collectors are overwhelmingly adhering to their legal obligations and consumers are not finding it necessary to complain about these practices. Similarly, *Communication tactics* also lists *Used obscene, profane,*

or abusive language and *Threatened to take legal action* as sub-category response options. Again, these responses were only selected by consumers 1.2% and 2.8% of the time, respectively. This suggests that, overall, consumers are not lodging complaints about harassing or harsh debt collection practices, contrary to narrative being promoted by the CFPB. The data also indicate that a majority of debt collection companies are responding to CFPB complaints in a timely fashion (See Figure 3), further evidence of the industry's desire to resolve consumer issues quickly and effectively.

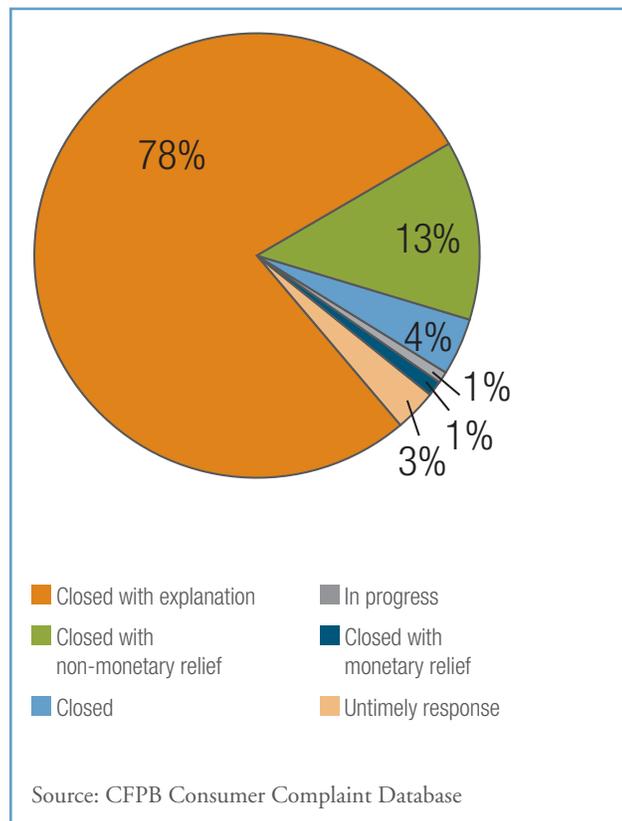
Figure 3. Timely Response to Complaint by Debt Collector



The CFPB database allows for the reporting of company responses to consumer complaints. Figure 4 shows the distribution of company responses to consumers. The majority of all cases (78%) were closed with explanation. This indicates that a company responded to a consumer's specific issue with a personalized explanation. This response also serves as the resolution of the issue and no further steps are taken by the company. A smaller number of cases (14%) are closed with some form of relief. Relief is defined by the CFPB "as objective, measurable, and verifiable relief to the consumer as a direct result of

the steps you have taken or will take in response to the complaint.”^[10] Relief can be provided in one of two ways: non-monetary and monetary. The majority of cases resolved with some form of relief were closed with non-monetary relief (13%). This indicates that the company took some non-monetary action in response to the consumer’s complaint. These could include, but are not limited to, actions such as modifying the terms of an account, correcting a report to a credit bureau, or reopening an account. A very small number of complaints were resolved with monetary relief (1%). This response indicates that the consumer was monetarily compensated by the company. Finally, 4% of cases were closed, with neither an explanation nor the provision of relief.

Figure 4. Distribution of Company Responses to Consumer Complaints



Conclusion

Although Debt Collection accounts for the third highest amount of complaints submitted to the CFPB complaints database in 2016, this analysis demonstrates that relying on the raw number of complaints as an indicator of performance by the debt collection industry is highly misleading given the number of annual contacts made by debt collection firms. Instead, given the size and scope of the financial services sector in general, and debt collection specifically, it is important to contextualize the CFPB data appropriately. Once normalized, the complaints submitted to the CFPB account for an extremely small number of the consumers who have contact with the debt collection industry on a yearly basis.

Furthermore, a review of the data suggests that many of the issues consumers complain about are associated with the technical aspects of credit, outstanding debt, and the debt collection industry. When given the option of reporting technical issues, such as not being given enough information to verify a debt, versus reporting customer service issues, such as experiencing obscene or abusive language, consumers are generally reporting the former. Given that the CFPB has branded itself as a “data-driven” agency that promotes transparency, this analysis underscores the critical need for the CFPB to do a significantly better job of making clear the limitations of the data it collects and reports. Additionally the CFPB should implement proper normalization procedures to reduce the currently misleading nature of the data, making it fairer to compliance minded firms and more meaningful to consumers and other CFPB complaint database users.

Sources

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- [2] CFPB. 2014. [Consumer Response: A Snapshot of Complaints Received. July 2014.](#)
- [3] Alliance for a Just Society. 2016. “[Unfair, Deceptive, and Abusive: Debt Collectors Profit from Aggressive Tactics.](#)”
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- [6] Hunt, Robert. “[Understanding the Model: The Life Cycle of a Debt.](#)” Presented at “Life of a Debt: Data Integrity in Debt Collection.” An FTC – CFPB Roundtable, June 6, 2013.
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- [10] CFPB. 2015. “Company Portal Manual.” Consumer Financial Protection Bureau. Version 2.14.