

ACA INTERNATIONAL WHITE PAPER

A Review of Debt Collection Complaints Submitted to the Consumer Financial Protection Bureau's Complaint Database in 2017

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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 2017. Once again, ACA International's research department conducted an analysis of the quantitative data available from the complaints database. Similar to ACA's previous research, 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. This finding remains consistent despite the CFPB's overly broad characterization of what constitutes a complaint.

Summary of findings:

- » Based on the raw number of complaints submitted to the complaints database, debt collection was the second most complained about product category in the CFPB consumer complaint database in 2017, accounting for 19.7% of complaints. Credit reporting, credit repair services, or other personal consumer reports was the most complained about category, accounting for 37.2% of all complaints. Three sub-product categories account for 68% of the total debt collection complaints: *Other Debt (phone, health club, etc.)*, *Credit Card Debt*, and *Medical Debt*.
- » **The total number of debt collection complaints received by the CFPB represents an incredibly small number of consumers (0.005%) who had contact with the debt collection industry during 2017 and are remarkably consistent with other financial**

services industries. Further, the complaints account for only .06% of all Americans estimated to have a debt in collection.

- » 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." Furthermore, it is also important to note that the CFPB does not verify the complaints that it receives from consumers for accuracy. As such, these practices can artificially inflate the number of debt collection complaints, yet the CFPB continues to publicly tout its consumer complaint data and uses the raw number of debt collection complaints to imply evidence of widespread industry harm.
- » **Response options that measure the most negative stereotypes about the debt collection industry, such as harassment or illegal practices, were the categories consumers selected the least and represent an exceptionally small number of responses. Additionally, these categories saw declines from 2016 to 2017. 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 (94.4%) of complaints were responded to in a timely manner by debt collection agencies, representing an increase from 91% in 2016.
- » The majority of cases were closed with explanation (84%) and did not require any additional form of relief for resolution, improving from 78% in 2016.

- » The CFPB continues to struggle with collecting and presenting data in a transparent or representative fashion. Mid-year changes to response options result in data that are difficult for the average consumer to use and interpret, response categories that overlap, and minimal context for understanding the data.

Debt Collection and the Consumer CFPB Complaint Database

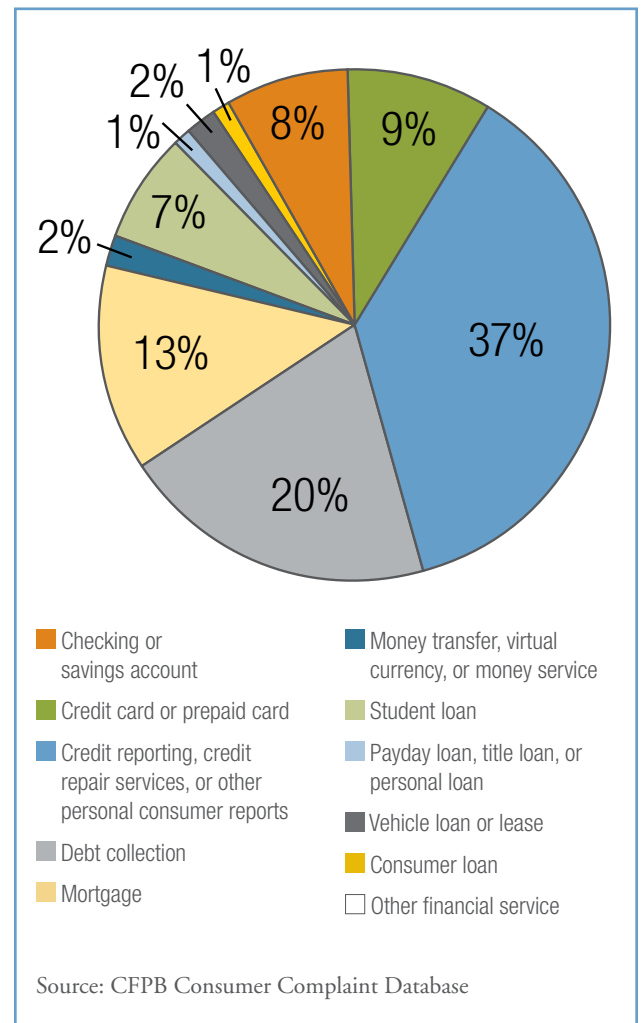
The Consumer Financial Protection Bureau (CFPB) began soliciting and cataloging consumer complaints in July 2011. The CFPB undertakes this task with the goal of gathering data to gain an understanding of the consumer financial marketplace and “do a better job supervising companies, enforcing federal 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. Taken together, 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 which artificially inflate the number of debt collection complaints, the CFPB continues to publicly tout its consumer complaint data and uses the raw number of debt collection complaints to imply evidence of widespread industry harm.

This analysis examines complaints submitted to the CFPB in 2017, with a specific focus on complaint data submitted for Debt Collection. The complaints used in this analysis all had a submission date between

1/1/2017 and 12/31/2017 in the CFPB database. These parameters resulted in 243,048 complaints submitted to the CFPB in 2017. Data for this analysis were downloaded from the CFPB’s complaint database January 16, 2018. The top three categories for complaints were Credit reporting, credit repair services, or other personal consumer reports (90,304 complaints), Debt collection (47,892 complaints), and Mortgage (30,519 complaints). 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 2017



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 47,892 complaints submitted to the CFPB in 2017 account for roughly .005% of all consumer contacts made by the debt collection industry that year. Recent reporting has found that, when normalized, complaints about banks in the CFPB database “translate to a complaint rate of .003%.”^[9] This suggests that not only are the overall complaints against debt collection an incredibly small proportion of all consumer contacts, but they are also remarkably consistent with other financial services industries. 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 .06% 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.

Within the Debt Collection category, three sub-product categories, *Other Debt* (phone, health club, etc.), *Credit Card Debt*, and *Medical Debt* accounted for nearly 68% of the total complaints. Additionally, 19% 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.¹

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

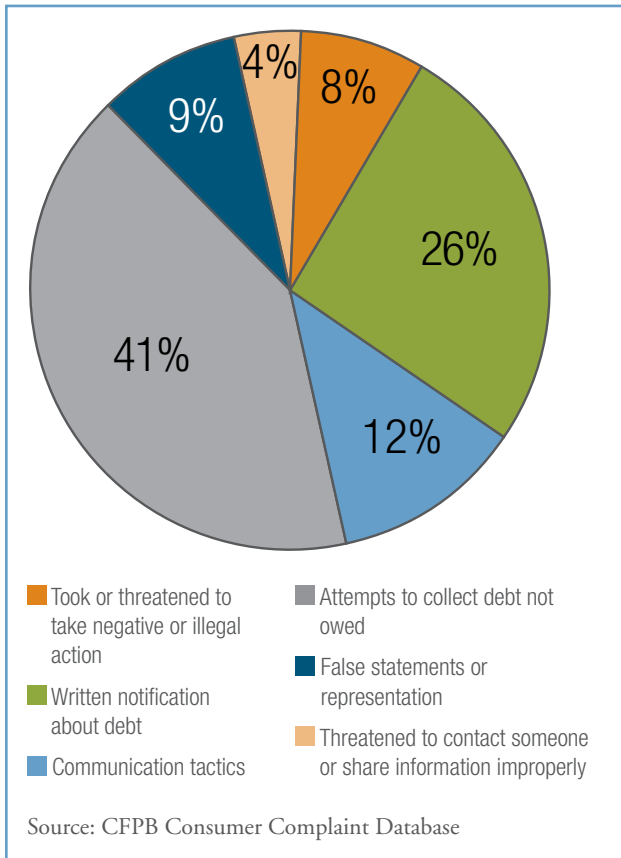
Sub-Product Complaint Category	Total
Medical Debt	8,299
Credit Card Debt	8,444
Auto Debt	1,469
Federal Student Loan Debt	840
Private Student Loan Debt	840
Mortgage Debt	1,299
Payday Loan Debt	1,718
Other Debt	16,023
I Do Not Know	8,960
Total	47,892

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 *Attempts to collect debt not owed* is the most commonly selected issue representing 41% of all submissions. The next two most selected issues are *Written notification about debt* (26%) and *Communication tactics* (12%). 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* (9%), *Took or threatened to take negative or legal action* (8%), and *Threatened to contact someone or share information improperly* (4%) collectively represent scarcely a fifth of all consumer complaints.

¹ In April of 2017, the CFPB implemented a series of product and sub-product category changes.^[10] The data reported throughout this white paper uses the new category names and merges data from the prior category response options with the totals of equivalent responses submitted under the new category options. For example, the data reported under “Debt is not mine” was merged with the data from the new category “Debt is not yours” and reported under the new category “Debt is not yours.”

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 yours* (23% of all selections), *Didn’t receive enough information to verify debt* (19.9%), *Debt was paid* (10.35%), *Attempted to collect wrong amount* (7%), and *Frequent or repeated calls* (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	3,002	6.26%
Called before 8am or after 9pm	218	0.45%
Used obscene, profane, or other abusive language	549	1.14%
Threatened to take legal action	367	0.76%
Called after sent written cease of communication	136	0.28%
Attempts to Collect Debt Not Owed		
Debt was already discharged in bankruptcy and is no longer owed	952	1.98%
Debt was result of identity theft	2,545	5.31%
Debt was paid	4,959	10.35%
Debt is not yours	11,083	23.14%

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Sub-issue Category	Total Submissions	Percentage of Submissions
Written Notification about Debt		
Didn't receive notice of right to dispute	2,816	5.87%
Didn't receive enough information to verify debt	9,543	19.92%
Notification didn't disclose it was an attempt to collect a debt	409	0.85%
False Statements or Representation		
Attempted to collect wrong amount	3,401	7.10%
Impersonated attorney, law enforcement, or government official	409	0.85%
Indicated you were committing crime by not paying debt	267	0.55%
Told you not to respond to a lawsuit they filed against you	95	0.19%
Threatened to Contact Someone or Share Information Improperly		
You told them to stop contacting you, but they keep trying	1,682	3.51%
Contacted your employer	437	0.91%
Contacted you instead of your attorney	31	0.06%
Talked to a third-party about your debt	978	2.04%
Took or Threatened to Take Negative or Legal Action		
Threatened to arrest you or take you to jail if you do not pay	399	0.83%
Threatened to sue you for very old debt	904	1.88%
Sued you without properly notifying you of lawsuit	469	0.97%
Sued you in a state where you do not live or did not sign for the debt	107	0.22%
Collected or attempted to collect exempt funds	251	0.52%
Seized or attempted to seize your property	482	1.00%
Threatened or suggested your credit would be damaged	1,400	2.92%
Threatened to turn you in to immigration or deport you	1	0.002%

Source: CFPB Consumer Complaint Database

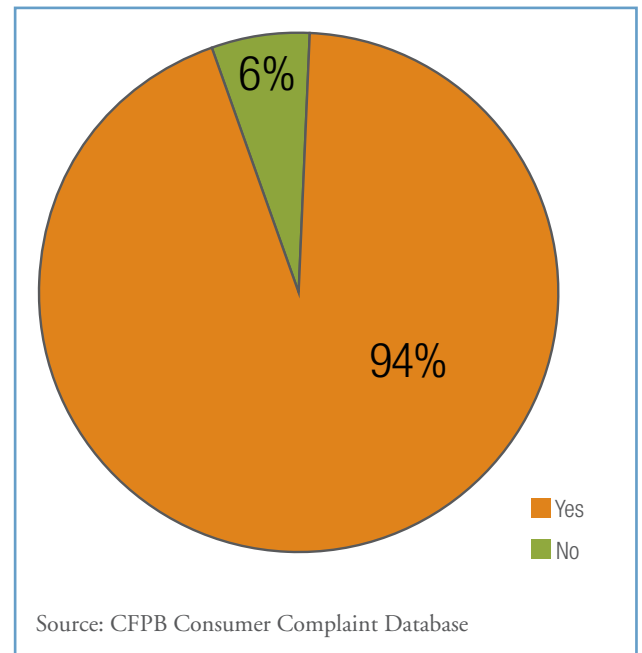
Two of the most frequently selected sub-issues, *Debt is not yours* and *Debt was paid*, account for 82% of all submissions within the most commonly selected primary category *Attempts to Collect Debt Not Owed*. Similarly, the sub-issue *Didn't receive enough information to verify debt* represents 75% of all selections in the primary category *Written Notification about Debt*, while *Attempted to collect wrong amount* accounts for 81.5% 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 70% of all submissions in that category.

Complaint submissions identifying issues such as *Debt is not yours*, *Debt was paid*, *Didn't receive enough information 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

more appropriately provides evidence that there is a lack of clarity guiding the substantiation of debt and the overall debt collection process.

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 before 8am or after 9pm* and *Called after sent written cease of communication* as response options. Consumers selected these categories only 0.45% and 0.28% of the time, respectively, both down from 0.47% and 1.03% in 2016. 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 other abusive language* and *Threatened to take legal action* as sub-category response options. These responses were only selected by consumers 1.1% and 0.76% of the time, respectively. Again, these categories are down from 1.2% and 2.8% in 2016. This suggests that, overall, consumers are not lodging complaints about harassing or harsh debt collection practices, contrary to the narrative being promoted by the CFPB and the media. Indeed, as these categories have seen decreases over last year, it would suggest that the most negative behaviors are not only rare but also on the decline. The data also indicate that a majority of debt collection companies are responding to CFPB complaints in a timely fashion, improving from 91% in 2016 to 94% in 2017 (See Figure 3); further evidence of the industry's desire to resolve consumer issues quickly and effectively.

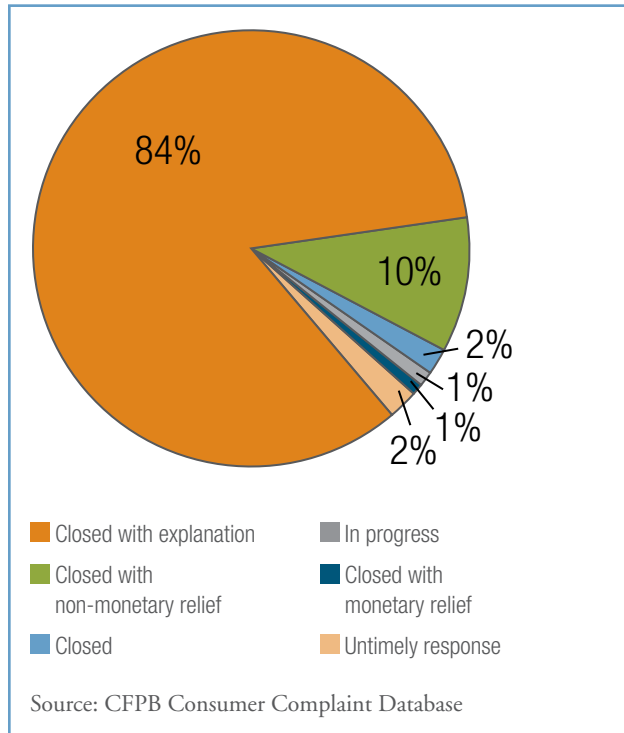
Figure 3. Timely Response to Complaint by Debt Collector



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 (84%) were closed with explanation, up from 78% in 2016. 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 (11%) are closed with some form of relief, down from 14% in 2016. Relief is defined by the CFPB as "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."^[11] 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 (10%). 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, 1.7% 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 second highest amount of complaints submitted to the CFPB complaints database in 2017, 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 and the CFPB's overly broad characterization of what constitutes a debt collection complaint. 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 and are consistent with the complaint rates of other financial service industries.

The data from 2017 is particularly confusing and difficult to work with, in part because of changes made to the product and sub-product categories in April of that year. The CFPB noted that changes were made to product categories to “give consumers a better user experience when submitting a complaint, which includes streamlining and reorganizing some product and issue options, as well as some plain language improvements.”^[10] However, this resulted in there being multiple overlapping categories at the end of 2017, where consumers reported under one category option between January and April and a second, new response option from May going forward. For example, the data from the complaint database returns 50 sub-issue response options for debt collection in 2017. Once the old and new categories are merged, they represent 28 unique sub-issue complaint categories. Appendix A shows the raw numbers from all of the unmerged responses from across categories. Collecting and releasing data in this way can be confusing to the average consumer and difficult to navigate, once again suggesting that the CFPB is falling short of being a transparent and data-driven agency.

A review of the data suggests that, once again, 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. Finally, the CFPB should adopt a more appropriate definition of what constitutes a complaint and implement proper normalization procedures to reduce the currently misleading nature of the data. Adopting these important changes will make the CFPB's data fairer to compliance-minded firms, more meaningful to consumers and other CFPB complaint database users, and consistent and comparable with data from other financial services industries.

Sources

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- [4] Kieler, Ashlee. 2017. “[Data Shows Too Many Americans Being Pestered About Medical Debt They Don’t Owe.](#)” *Consumerist*, May 10, 2017.
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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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- [9] Eidelman, Stephanie. 2018. “[CFPB Bank Complaints Normalized; Such Analysis Eludes Debt Collectors.](#)” insideARM.
- [10] CFPB. 2017. [CFPB Summary of product and sub-product changes.](#) April, 2017.
- [11] CFPB. 2015. “Company Portal Manual.” Consumer Financial Protection Bureau. Version 2.14.

Appendix A – Unmerged Category Options

Unmerged Product Categories and Complaints, 2017

Sub-Product	Complaints
Bank account or service	6,956
Consumer loan	3,555
Credit Card	7,133
Credit card or Prepaid Card	15,370
Credit Reporting	16,587
Credit reporting, credit repair services, or other personal consumer reports	73,717
Debt collection	47,892
Mortgage	30,519
Money transfer, virtual currency, or money service	3,254
Student loan	17,158
Payday loan, title loan, or personal loan	2,941
Payday Loan	493
Prepaid card	449
Other Financial service	166
Vehicle loan or lease	3,682
Checking or savings account	12,733
Money transfers	440
Virtual Currency	3
Total	243,048

Unmerged Sub-Product Categories and Complaints, 2017

Sub-Product	Complaints
Medical	2,886
Medical debt	5,413
Credit Card	2,621
Credit card debt	5,823
Auto	443
Auto debt	1,026
Federal Student Loan	241
Federal Student Loan Debt	599
Non-Federal Student Loan	256
Private student loan debt	584
Mortgage	335
Mortgage Debt	964
Payday Loan Debt	1,138
Payday Loan	580
Other debt	10,716
Other (i.e. phone, health club, etc.)	5,307
I Do Not Know	8,960
Total	47,892

Unmerged Issue Categories and Complaints, 2017

Issue	Complaints
Taking/threatening an illegal action	712
Disclosure verification of debt	4,512
Communication tactics	5,612
False statements or representation	4,172
Cont'd attempts collect debt not owed	6,406
Took or threatened to take negative or legal action	3,301
Improper contact or sharing of info	899
Written notification about debt	8,256
Attempts to collect debt not owed	13,133
Threatened to contact someone or share information improperly	889
Total	47,892

Unmerged Sub-Issue Categories and Complaints, 2017

Sub-Issue	Complaints
Frequent or repeated calls	3,002
Called outside of 8am-9pm	79
Called before 8am or after 9pm	139
Used obscene/profane/abusive language	159
Used obscene, profane, or other abusive language	390
Threatened to take legal action	367
Called after sent written cease of communications	136
Debt was discharged in bankruptcy	225
Debt was already discharged in bankruptcy and is no longer owed	727
Debt resulted from identity theft	712
Debt was result of identity theft	1,833
Debt was paid	4,959
Debt is not mine	3,675
Debt is not yours	7,408
Right to dispute notice not received	913
Didn't receive notice of right to dispute	1,903
Not given enough info to verify debt	3,400
Didn't receive enough information to verify debt	6,143
Not disclosed as an attempt to collect	199
Notification didn't disclose it was an attempt to collect a debt	210
Attempted to collect wrong amount	3,401
Impersonated an attorney or official	79
Impersonated attorney, law enforcement, or government official	330
Indicated committed crime not paying	102
Indicated you were committing crime by not paying debt	165
Indicated shouldn't respond to lawsuit	35
Told you not to respond to a lawsuit they filed against you	60
Contacted you after you asked them to stop	171
Contacted me after I asked not to	171
You told them to stop contacting you, but they keep trying	1,340
Contacted employer after asked not to	168
Contacted your employer	269
Contacted me instead of my attorney	20
Contacted you instead of your attorney	11
Talked to a third party about my debt	540
Talked to a third-party about your debt	438
Threatened arrest/jail if do not pay	142
Threatened to arrest you or take you to jail if you do not pay	257

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Sub-Issue	Complaints
Threatened to sue on too old debt	221
Threatened to sue you for very old debt	683
Sued w/o proper notification of suit	125
Sued you without properly notifying you of lawsuit	344
Sued where didn't live/sign for debt	30
Sued you in a state where you do not live or did not sign for the debt	77
Attempted to/Collected exempt funds	75
Collected or attempted to collect exempt funds	176
Seized/Attempted to seize property	119
Seized or attempted to seize your property	363
Threatened or suggested your credit would be damaged	1,400
Threatened to turn you in to immigration or deport you	1
Total	47,892