

**ACA INTERNATIONAL WHITE PAPER**

# ACA International's Response to The Alliance for a Just Society

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Josh Adams, PhD  
Director of Research  
ACA International  
Washington, D.C.

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Josh Adams, PhD, Director of Research, ACA International, Washington, DC

The Alliance for a Just Society recently released a report titled “Unfair, Deceptive, and Abusive: Debt Collectors Profit from Aggressive Tactics.” This report analyzed 75,000 complaints submitted to the Consumer Financial Protection Bureau (CFPB) over the last two years. The Alliance’s researchers concluded that “consumer complaints filed with the Consumer Financial Protection Bureau suggest that unfair, deceptive and abusive tactics are prevalent in the debt collection industry.”<sup>[1]</sup> Unfortunately, this report fails to properly contextualize and analyze data relative to the credit and collection industry and provides an incomplete picture of the industry and its practices. As a result, the report leaves debt collectors, consumers, and regulators with no real information on how to make an already highly-regulated industry more compliant and consumer-friendly, something ACA International and its 3500 member companies strive to do. ACA International firmly believes that consumers should be protected from unfair, deceptive, and abusive collection practices. Nevertheless, ACA International has some significant concerns with the findings of the Alliance’s report.

As the foundation for their claims that debt collectors behave in an aggressive and abusive fashion, the Alliance relies on the often repeated statistic that debt collection is the most complained about product in the CFPB complaint database.<sup>[1]</sup> While this is on the surface true, this figure fails to contextualize that number of complaints within the full scope and volume of debt collection in the United States. There are more than one billion consumer contacts made by the debt collection industry annually, according to the most recent data available from 2010.<sup>[2]</sup> This figure is likely to remain stable in the near term. While the Alliance’s analysis reports the total debt collection complaints in the CFPB database through August of 2015 is 74,376, that number represents just 0.0074

percent of total consumer contacts through 2015. Additionally, the report notes that the CFPB reported receiving 88,300 complaints for debt collection in 2014. Again, using the value of one billion annual contacts, these complaints account for only 0.0088 percent of total consumer contacts. These numbers suggest that the percentage of complaints is actually decreasing.

If we were to constrain the context of debt collection to the figures cited in the Alliance’s report, the evidence of overwhelming consumer complaints is still remarkably weak. The report cites an earlier study from the Urban Institute that found 77 million Americans have a report of a debt in collection on their credit file.<sup>[3]</sup> With 77 million as a baseline, the complaints registered with the CFPB only represent 0.096 percent of all Americans with a debt in collection through 2015. Using the CFPB’s figure for 2014, the complaints still only account for 0.1 percent of all Americans with a debt in collection. Even using the Alliance’s significantly smaller total number of consumers with a debt in collection, the percentage of complaints never rises above a tenth of a percent.

ACA also notes that when reporting on the complaints for primary and sub-categories within the CFPB database, some of the Alliance’s findings appear to be misleading. For example, the report finds that “12,992 complaints (17 percent) relate to debt disclosures and verification of debts. Of those, 69 percent of those consumers report that debt collectors did not provide documentation believed by the consumer to be necessary for verification of the debt. Another 25 percent report they did not receive a ‘right to dispute’ notice, which is required by the Fair Debt Collection Practices Act, one of many laws and regulations that regulate the collection industry.” Those figures of 69 percent and 25 percent are both fractions of the

original 17 percent; so when the report finds that “69 percent of those consumers report that debt collectors did not provide documentation believed by the consumer to be necessary for verification of the debt,” it looks like a significantly larger number of complaints than it actually represents. When evaluated as part of the total number of complaints, only 12 percent of consumers actually complained about a lack of documentation. While that number may be seen as too high by some, and there is work to be done to improve the collection industry, the number is not nearly as dire as the Alliance report suggests.

This misleading technique is particularly pronounced when the total number of complaints is smaller for a given category. The report notes that “consumers cite improper contact or sharing of information as the primary reason for 5,600 complaints (8 percent). Of those, 47 percent report the collector talked to a third-party about the debt.”<sup>[1]</sup> Talking to a third-party about a consumer’s debt is prohibited and generally considered to be unfair or abusive. However, the Alliance’s report appears to overstate the frequency of this complaint. Within the total dataset of complaints, this represents only 2,632 consumer complaints or 3.5 percent of the total complaints submitted to the CFPB database.

In light of the size and scope of the debt collection industry in the United States, it is important to contextualize the raw numbers reported by the CFPB within this broader framework. Without situating the CFPB data within the broader context of the debt collection and financial services industries, both consumers and policy makers are left with an incomplete understanding of how these industries operate and their approach to customer service.

Although decontextualized complaint data about debt collection reported by the CFPB seems to only harm debt collectors, the practice can also harm consumers by generating a deep misunderstanding of the role of debt collection companies and depriving consumers of appropriate information to make adequately informed financial decisions. Presenting complaint data in such a misleading way improperly fuels mistrust between consumers and debt collectors. This mistrust can result in consumers making a less informed decision than

they otherwise might have, e.g. refuse to speak to a legitimate debt collector and therefore hinder their chances to successfully resolve a debt and take control of their financial well-being.

ACA International is committed to maintaining the highest standards of business conduct by using only legal and ethical means in all debt collection activities. As such, ACA International understands the importance of treating consumers with respect and dignity while vigilantly protecting the rights of consumers. Nevertheless, the report produced by the Alliance for a Just Society fails to properly contextualize and analyze data relative to the debt collection industry and does not provide a complete picture of the industry and its practices.

#### Sources

[1] Alliance for a Just Society. 2016. [“Unfair, Deceptive, and Abusive: Debt Collectors Profit from Aggressive Tactics.”](#)

[2] Hunt, Robert. 2013. [“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.

[3] Ratcliffe, Caroline, Signe-Mary McKernan, Brett Theodos, Emma Kalish, John Chalekian, Peifang Guo, and Christopher Trepel. 2014. [Delinquent Debt in America. An Opportunity and Ownership Initiative Brief.](#) Urban Institute.