BELL LAW, LLC

SPECIAL REPORT

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5 CONSUMER DANGERS...

and How to Avoid Them

The marketplace, whether brick-and-mortar or online, often preys upon consumers. Many, many purchases and service agreements go as planned but, likewise, many do not. Sellers of products and services, whether they be giant corporations or small local businesses, are in search of profit and may pursue it using illegal or unethical methods. Such methods may be glaring, such as clear cases of outright fraud, but many are far more subtle. Further, most ordinary consumers aren't aware of any number of illegalities and the strong consumer remedies that protect them. **Fortunately, many (though certainly not all) illegal actions against consumers are somewhat predictable**. The following represents a brief guide to the five of the most pressing dangers to consumers and some of the steps ordinary people can take to protect themselves in this regard.

#1. Identity Theft

- **What it is:** You've heard about it- maybe extensively. It's become one of the fastest growing forms of crime with the rapid expansion of online commerce. Identities can be stolen to varying degrees: you might have credit card information stolen by an unknowable Romanian hacker who uses it to make relatively small online purchases, or you could fall victim to a more comprehensive theft of identity such that multiple accounts are compromised and your credit scores are negatively affected. Identity theft tends to revolve around gaining access to private information (increasingly less private, however) like credit card numbers, bank accounts, and Social Security numbers such that they can be used to benefit the thief, or thieves. Traditional identity theft (via theft of wallets, papers, "dumpster diving", etc.) still occurs, but online theft has naturally been increasing more rapidly. Besides outright theft and the associated loss of money/credit, identity theft can have severely negative implications that last for years, particularly on your credit reporting. Further, contemporary identity theft, particularly its online manifestations, can also be more unpredictable than traditional crimes. Personal information can be stolen by hacking databases that seemed secure, through well-designed phishing scams, through brute-force hacks, via spyware, and remotely.

- **How to avoid it:** The Internet is rife with advice regarding avoiding identity theft. Common advice, which is useful, includes creating strong passwords and running frequent virus scans using updated security software. It's important to note that, with regard to creating passwords that are difficult to hack, the time required to crack a password increases exponentially with its length. **Therefore, a password consisting of a long, nonsensical phrase that's easy to remember is far more effective than a short password that includes a range of special characters.** Change your passwords reasonably frequently, keep your security software updated, run frequent virus scans, and use common sense. Software extensions such as ad blockers may help prevent harmful downloads that come from unwanted pop-up ads and other online nuisances.

To the extent possible- and this is advice that applies broadly throughout this guide- **preserve documents, screen grabs, and whatever else could be useful in proving that you've been the victim of identity theft**. For example, if you close an account online, take a screen grab of the confirmation page so that, if that account is somehow later used by a thief, you can provide evidence you closed it online. But when it comes to documents (tax forms, credit card offers, bank statements, etc.) that contain personal information that could be stolen, **shred them**. Also, more broadly useful advice: **check your credit reports consistently and make sure that all the information being reported therein is correct** (http://bell-law-kc.com/how-to-request-your-credit-report/).

#2. Bad Debt

- **What it is:** This is a very general, pervasive problem- it's everywhere. Generally, this means *too much* debt and/or debt that is particularly risky and/or debt that's being illegally pursued. This includes a huge range of issues, from payday lenders that charge astronomical interest rates on small loans to subprime lenders who want to see consumers in cars and houses they can't afford to students who have more student loans than they can ever reasonably repay to debt collectors who employ illegal tactics. It also includes "stale" debt, as well as debt that doesn't even belong to a given consumer, yet it is being illegally pursued by creditors and/or collection agencies.

- **How to avoid it:** If possible, be conservative with your money and keep overall debt to a reasonable percentage of your income and savings such that you have a sizeable financial safety cushion. If at all possible, avoid debt altogether, but especially high interest rate debt. Take the time to do the calculations and projections- don't rush into a major purchase. Further, ask as many questions of a lender as you need to be comfortable. Don't trust lenders or salespeople who are trying to get you to buy something you know you can't afford or don't really want or need, especially large items like housing and automobiles. If you're a student, make sure you have a plan with plenty of margin for error before you assume much student loan debt. As always, **check your credit reports consistently and make sure that all the information being reported therein is correct. If you're unsure of a particular debt, demand that it be verified. Failure to properly verify a debt is a violation of the Fair Debt Collection Practices Act. Do**

not make a payment until you know the debt is valid. If you're being harassed by a creditor and/or debt collector over a questionable or fraudulent debt, it may make sense to contact an attorney specializing in consumer law (http://bell-law-kc.com/6-steps-you-can-take-to-fight-back-against-aggressive-creditors/).

#3. Arbitration Agreements

- **What they are:** Arbitration agreements need not be a "danger" per se for consumers, but they can be, and they're increasingly pervasive. An arbitration agreement is simply an agreement to have a given dispute mediated in a private setting (with an *arbitrator*) rather than in the public courts. While individual consumers may find that they get a reasonably satisfactory outcome in arbitration, it is frequently less transparent and more business-friendly than the public courts. Arbitration also generally precludes class actions such that groups of people who have been harmed in the same way cannot sue together. Further, many consumers aren't even aware that they've agreed to binding arbitration as such agreements are usually in the fine print of contracts, both paper and online. Arbitration agreements are, generally speaking, a way for companies to divide and conquer consumers and prevent major lawsuits.

- **How to avoid them:** In some instances you may not be able to avoid agreeing to arbitration, but at least try to be aware of their existence and whether a particular agreement contains an arbitration clause. For example, many common product and service purchase agreements, such as those for mobile phones, rental cars, and cable and Internet subscriptions, come with arbitration provisions. Don't be afraid to ask a salesperson (although they may not know much about it!) about the fine print and take the time to read it. Also, **keep the contracts you enter into should you need them later**. **If you don't feel comfortable with the fine print, consider not entering the contract** (http://bell-law-kc.com/arbitration-vs-public-courts-important-considerations-for-consumers/).

#4. Inaccurate Credit Reporting

- **What it is:** For better and (mostly) worse, the American economy has become permeated with debt. While the concepts of credit and creditworthiness have existed for millennia, it is a far more recent phenomenon for a given person to be demarcated as a "consumer" and for most of their credit-related accounts and transactions to be thoroughly documented by several major companies. There are four major companies in this regard- Fair Issac ("FICO"), Equifax, Experian, and Trans Union- and their business is consumer credit reporting. If you apply for a credit card, mortgage, auto loan, or other form of credit your potential lender will almost certainly access the scores generated by these companies. Along with the rapid rise in credit-based consumption and reporting has unsuprisingly come a greater number of credit reporting errors, which can affect your ability to obtain credit and the amount you pay for it. Further, credit reporting errors can be notoriously difficult to fix.

- **How to avoid it: Check your credit reports consistently and make sure that all the information being reported therein is correct!** This is the best way to monitor credit reporting and ensure that it's accurate. Order your credit reports and carefully look over the reported accounts, names, Social Security numbers, addresses, and so on. If you spot a mistake, thoroughly follow the given reporting agencies protocol (whether online or over the phone) for filing a dispute and **document everything**. The reporting agencies make mistakes that you can't control- mixing the files of people with similar names, for example- but they are legally required to take steps to correct errors in a **reasonable** timeframe. **If your credit is being misreported and hasn't been fixed after a dispute and reasonable time allowance, it may make sense to contact an attorney specializing in consumer law**.

#5. Auto Fraud

- **What it is:** Auto fraud can take many forms- it's not just the selling of lemon vehicles, although that can certainly be included. Car dealers can be extremely slick (and dishonest) salespeople and some of them have developed multiple scams to unload cars on consumers. This may include lying about and/or doctoring a car's history report(s), baiting someone into purchasing a vehicle with certain loan terms and then later telling them the loan was denied (a "yo-yo" scam), rolling back an odometer, selling (or simply including) shoddy service contracts, failing to provide the title in a timely manner (or at all), and falsifying documents to facilitate loan approval, amongst other things. Therefore, auto fraud can entail not just the car itself and how it subsequently runs, but how much it costs, how much it should cost, how it's properly titled and registered, and how its future repairs are covered, and everything in between.

- **How to avoid it:** If possible, avoid purchasing from dealers who seem unscrupulous, whether through their manner, the cars on their lot, online reviews, or whatever else. Regardless, record as much as you can; if possible, use your phone or another recording device while purchasing a car. This is not just to capture the representations of salespeople, but also finance managers, general managers, mechanics, and whomever else. Keep all documents, including screen grabs or printouts of online representations about the vehicle. Know that it's the responsibility of the dealer to provide the title in a timely manner (preferably at the time of sale). Read the fine print. Take the time to discover, for example, what a retail security agreement or service contract says in detail. If you feel you've been the victim of some form of auto fraud and can't rectify the problem informally, it may make sense to contact an attorney specializing in consumer law.

Disclaimer: All advice offered herein is general in nature and not intended to be binding legal advice. Recommendations may change given the circumstances of a given case and it is necessary to formally consult with an attorney in order to receive advice properly tailored to a specific case.