



FALL 2023 | 8TH EDITION

Complaint Risk Signal Report

An analysis of consumer complaints submitted to the Consumer Financial Protection Bureau and the compliance risk signals they present to financial institutions.



A NOTE FROM PERFORMLINE'S CEO

Every year, PerformLine publishes its Complaint Risk Signal Report that analyzes consumer complaint data submitted to Consumer Financial Protection Bureau to uncover valuable observations and insights that help financial institutions identify and mitigate risk.

As the Bureau's regulatory scrutiny increases amidst turbulent market conditions, this report continues to serve as a valuable tool by highlighting important trends and insights around consumer complaints and enforcement actions.

At PerformLine, we believe in a proactive and comprehensive approach to marketing compliance. We take pride in empowering compliance leaders with the technology, tools, and knowledge they need to ensure that their organization and partners provide transparent and accurate information to consumers across any channel.

Armed with the knowledge from this report, paired with PerformLine's omni-channel compliance solution, companies like yours can proactively monitor marketing communications to better protect consumers and avoid the complaints that lead to investigations and enforcement actions by the CFPB.

I'm excited to share the 2023 Complaint Risk Signal Report with you and hope that you find it valuable, useful, and impactful.



Alex Baydin
CEO and Founder
PerformLine

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Before We Dive In

What to Know About the Data + This Report

Data

This report presents key observations and risk signals derived from analyzing consumer complaint data from the CFPB's public Consumer Complaint Database.

It's important to note that the data included in this report is sourced exclusively from complaints published in the database—meaning, the CFPB may have received additional complaints in a given year that are not reflected in this dataset.

Our observations and risk signals are based on the trends and patterns we identified within the available data. While we leverage our industry expertise to interpret and analyze the information, it's important to clarify that we do not have access to the CFPB's internal analysis of the same data.

Purpose

The primary purpose of this report is to provide valuable insights into key complaint data and trends, allowing organizations to develop a deeper understanding of the challenges consumers face in the marketplace in order to optimize their compliance programs.

It's important to acknowledge that consumer complaints and the associated data may carry subjective elements and should not be considered as absolute or definitive measures. However, they still serve as an invaluable resource that sheds light on high-level trends and patterns.

SECTION 1

Why Should You Care About Consumer Complaints?

The CFPB uses consumer complaint data to supervise organizations and enforce regulatory compliance while identifying emerging issues in the marketplace.

In the CFPB's words: "Consumers' complaints and organizations' responses provide the Bureau with important information about the types of challenges consumers are experiencing and the effectiveness of an organization's compliance management system."

There are a few different ways organizations can utilize consumer complaint information, such as:

- Gain important knowledge about their business, competitors, and industry more broadly
- Consumer complaints can be an indicator of potential risk management weaknesses or other deficiencies, such as violations of laws or regulations
- Complaints can reveal a weakness in a particular product, service, function, department, or vendor
- Identify opportunities to enhance consumers' experience and understanding of consumer financial products and services

By being aware of the types of challenges that consumers are facing in the marketplace, organizations can use this information to shape their compliance programs to focus on the most pressing issues presenting risk to their business.

Organizations can better protect consumers and avoid the complaints that lead to investigations and enforcement actions by the CFPB by proactively monitoring marketing communications for compliance with regulations and for potential deceptive practices.

SECTION 2

Overview of the Consumer Complaint Process

2.1 The Process

When a consumer submits a complaint, the CFPB requires the consumer to identify the financial product or service with which they have a problem, as well as the type of problem. The complaint goes through several steps to ensure the consumers receive timely and thorough responses. The CFPB routes consumers' complaints about financial products and services directly to financial organizations and works to get consumers a timely response, generally within 15 days.

The CFPB Consumer Complaint Process

Source: consumerfinance.gov



2.2 Expectations

The CFPB expects organizations to provide complaint responses tailored to the issues described in each consumer's complaint. Three elements make up a complaint response:

Completeness: The organization addressed all the issues raised by the consumer, including providing any relevant documentation. Where appropriate, the organization described communications with the consumer, attached copies of all relevant documents and described any follow-up actions the organization has taken, or plans to take, in response to the issues described in the consumer's complaint.

Accuracy: The organization selected the most appropriate response category for the written response provided and, when appropriate, described non-monetary or monetary relief provided to the consumer. Response categories include:

- Closed with monetary relief
- Closed with non-monetary relief
- Closed with explanation, and administrative response options

Timeliness: The organization provided a response within 15 calendar days of the complaint being sent to the organization. If a complaint cannot be closed within 15 calendar days, the organization provided an interim explanation to the consumer and the CFPB, and then a final response within 60 calendar days of the complaint being sent to the organization.

2.3 Reporting

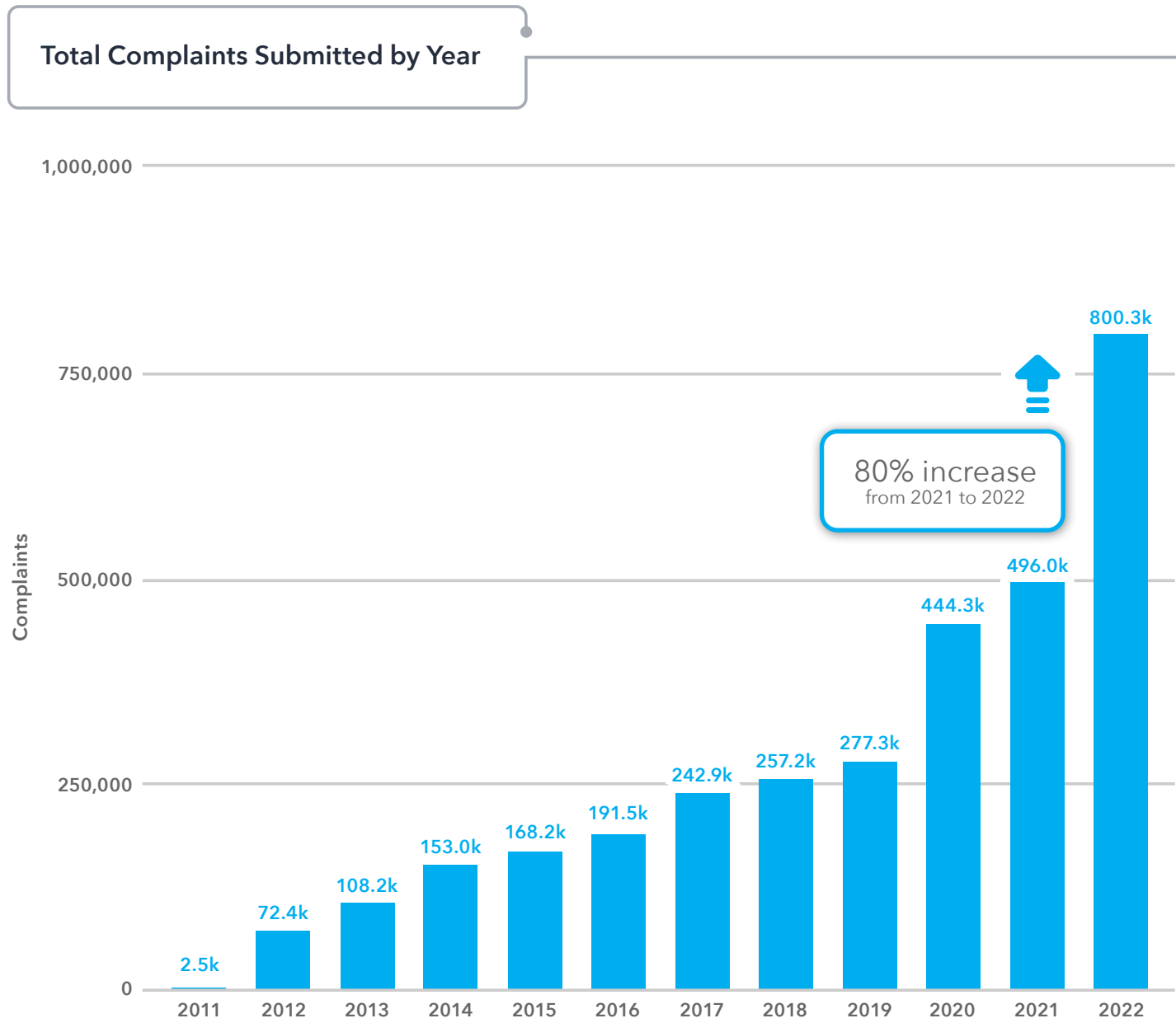
All complaints are published in the CFPB's Consumer Complaint Database after the organization responds, confirming a commercial relationship with the consumer, or after 15 days, whichever comes first. Complaints referred to other regulators, such as complaints about depository institutions with less than \$10 billion in assets, are not published in the Consumer Complaint Database. Narratives from complaints are published if the consumer opts to share their narrative publicly and after the CFPB takes steps to remove personal information.

SECTION 3

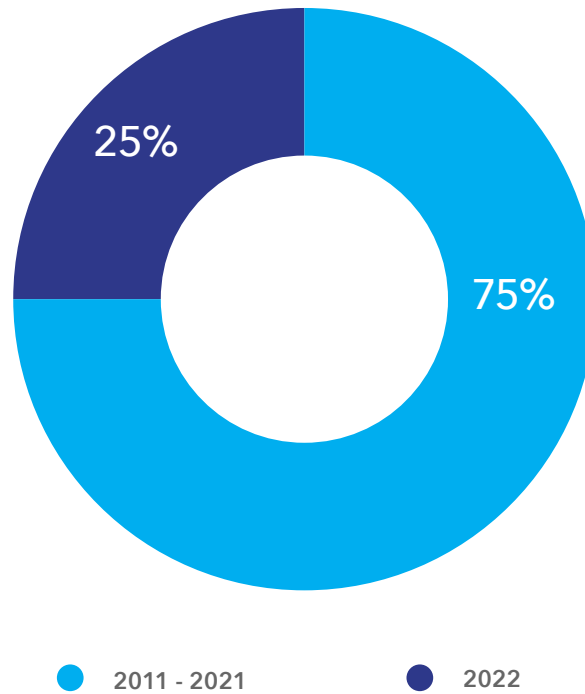
Consumer Complaint Insights: Trends, Products, and Special Groups

3.1 Total Complaints in the Database

There are over **4M complaints** in the CFPB's Database as of September 1, 2023.



CFPB Complaints: 2022 vs. Total

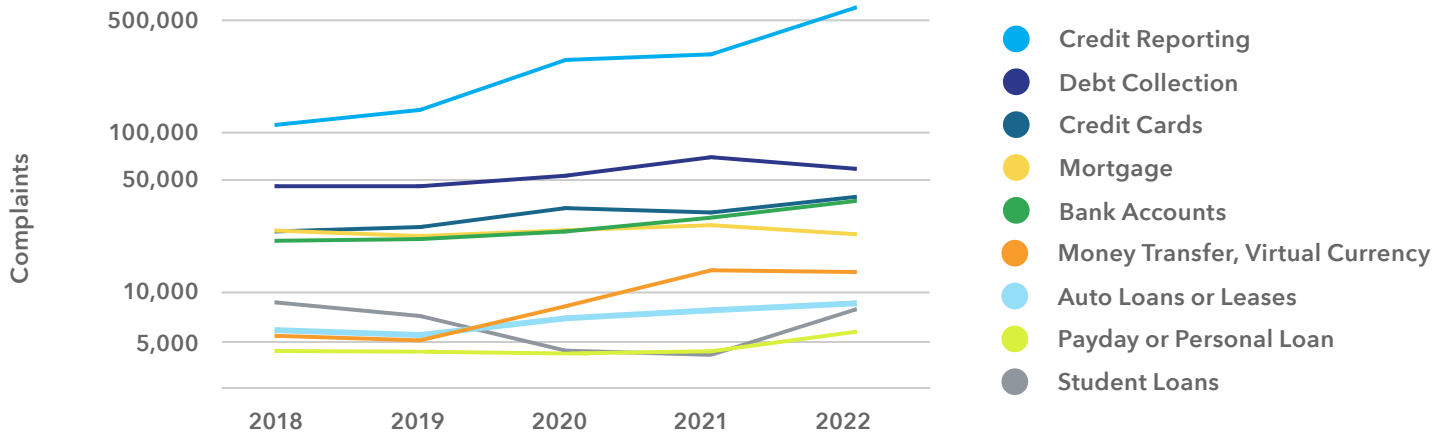
**RISK SIGNAL****Unprecedented Consumer Complaint Counts**

The data reveals a significant and alarming increase in consumer complaints submitted to the CFPB in 2022, with a record-breaking number that rose by 80% compared to the previous year. Notably, these complaints account for nearly one-fourth (25%) of all complaints received by the CFPB since its establishment in 2011.

What does this mean for you: The surge in consumer complaints signals growing dissatisfaction and increased consumer awareness regarding their rights and expectations. Organizations must proactively reassess practices, policies, and compliance measures to protect their reputation, build trust, and secure long-term success in an empowered consumer market.

3.2 Annual Complaint Trends by Product

Annual Complaint Trends by Product



Between 2018 and 2022, the number of complaints increased in every category, except for debt collection, which experienced a decrease of 15% from 2021 to 2022, and mortgages, which experienced a decrease of 12% during the same time period.

The largest increase in complaints occurred in the credit reporting category, which increased 96% from 2021 to 2022. Following closely was the student loans category, which saw a substantial increase of 93% during the same period. Finally, the money transfer and virtual currency category had the smallest increase, with only a 3% rise from 2021 to 2022.

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Rise in Consumer Complaints, CFPB's Focus on UDAAP + "Junk Fees"

The data shows a significant increase in consumer complaints to the CFPB across almost all categories from 2021 to 2022, with an alarming spike in credit reporting and student loans categories. Concurrently, the CFPB's recent Supervisory Highlights (Issue 29) reveal an intensified focus on "junk fees" and their relation to violations of unfair, deceptive, or abusive acts or practices (UDAAP) regulations.

What does this mean for you: This connection between the escalating complaints and the CFPB's increased scrutiny of exploitative fees is a clear warning sign for all consumer finance organizations. The growing number of complaints indicates that consumers are becoming more aware and less tolerant of unfair fees and deceptive practices—an inclination that aligns with the CFPB's regulatory priorities. It's crucial for organizations to conduct a thorough assessment of their fee structures, marketing materials, and overall compliance with UDAAP regulations to address potential concerns proactively.

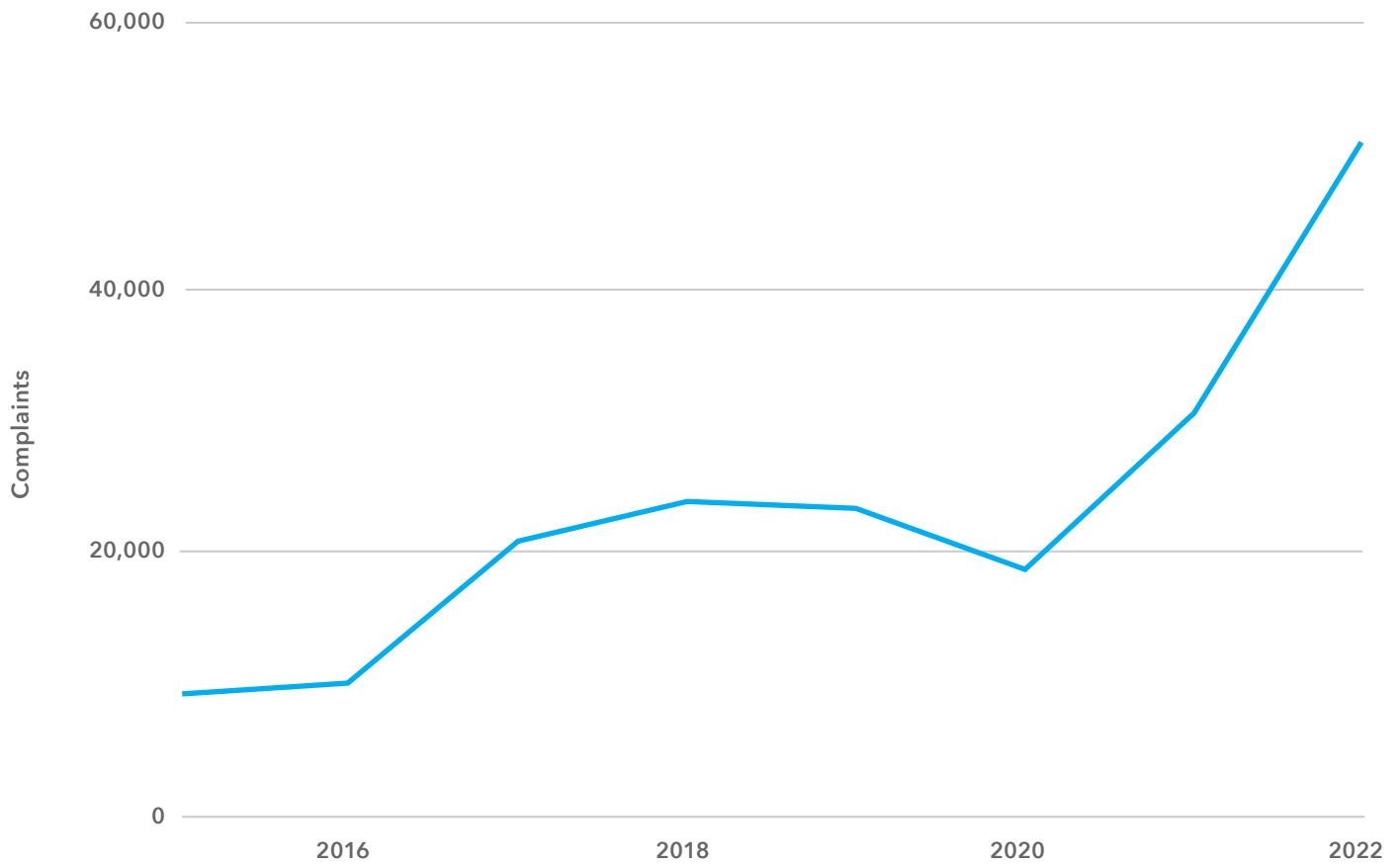
3.3 Complaints by Special Groups

3.3a Servicemembers

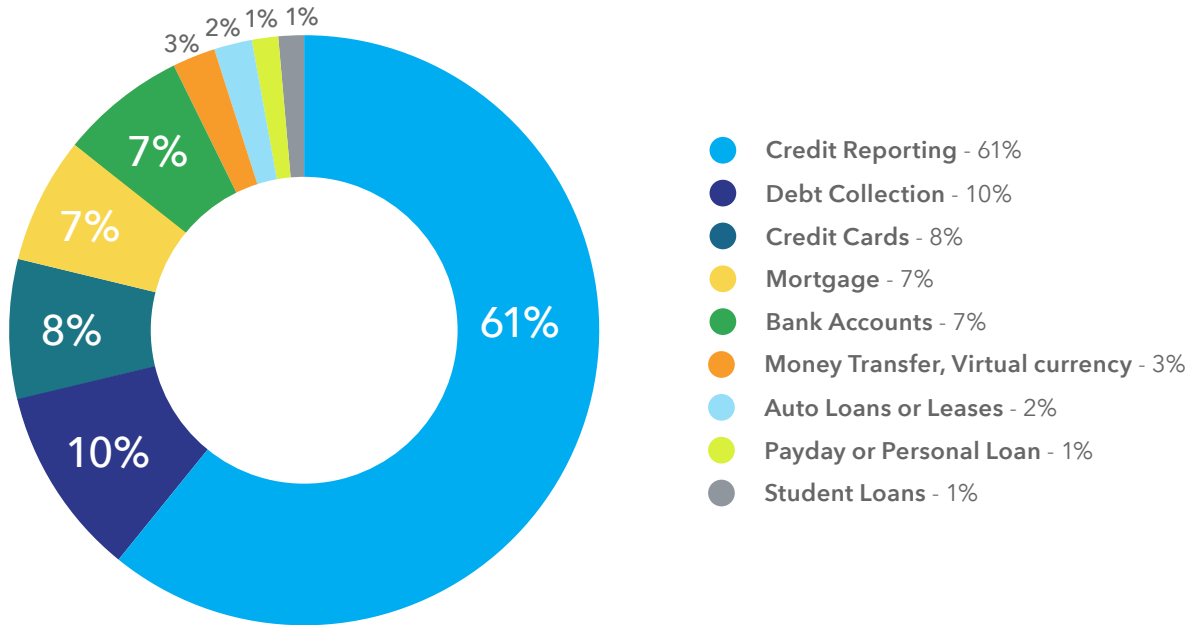
The CFPB monitors and analyzes complaints from servicemembers, veterans, and military families. When a complaint is submitted to the CFPB, consumers can identify their military status (active duty, reserve, guard, veteran, or military dependent), branch of service, and rank.

Military and Servicemember Complaints

Year over Year



Military and Servicemember Complaints by Product 2022



Complaints from servicemembers have increased significantly since 2021, up 67%. In 2022, the highest number of complaints were submitted in the credit reporting category, accounting for 61% of all complaints submitted in that year. Debt collection, mortgages, and credit cards were the next three categories that received the highest number of complaints, accounting for 25% of all those submitted.

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Rapid Growth of Digital Payment App Complaints and Risks to Servicemembers

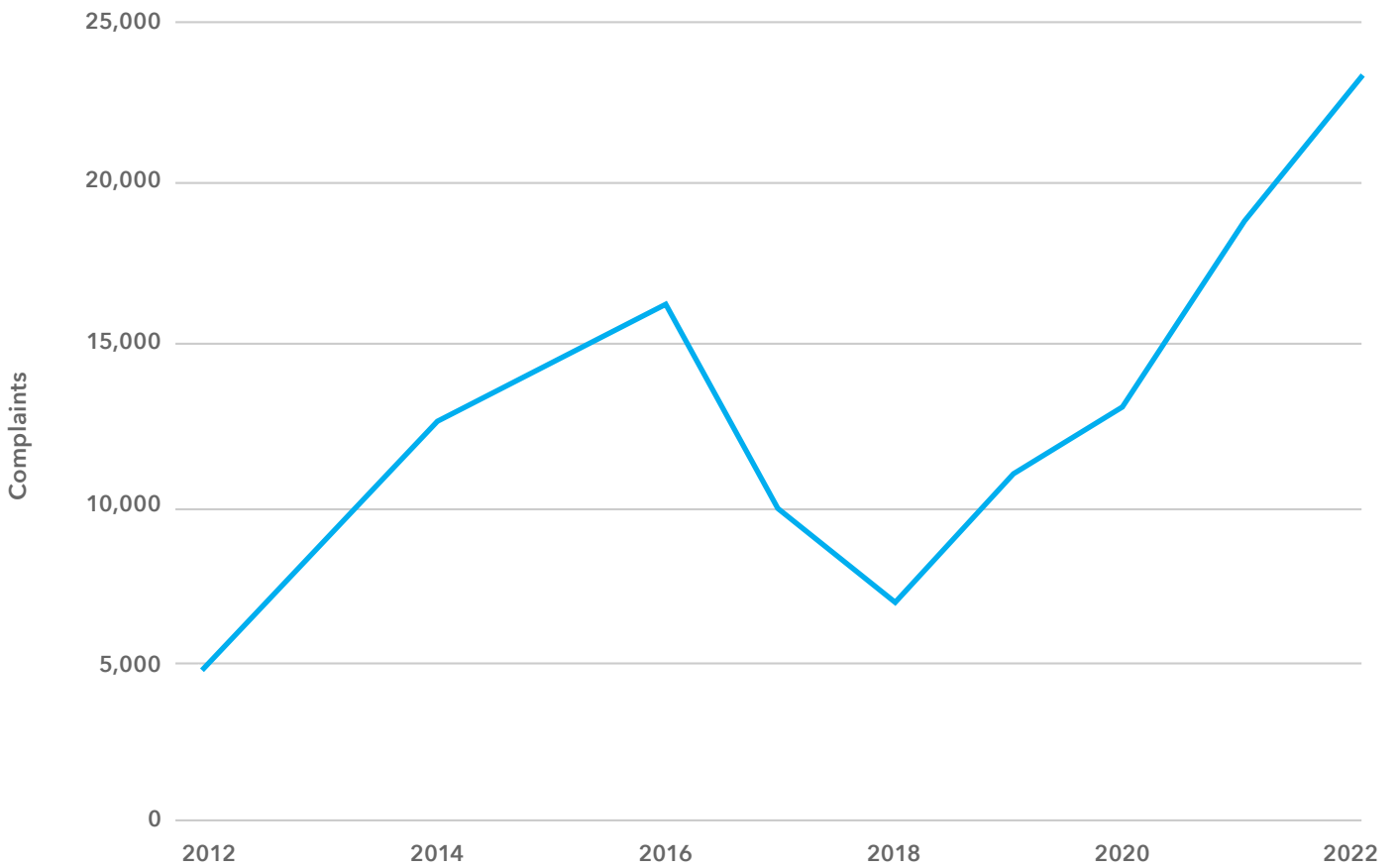
Servicemembers' complaints increased significantly between 2021 and 2022, particularly regarding digital payment apps, according to the CFPB's latest Office of Servicemember Affairs Annual Report. The rise in complaints underscores the growing challenges that servicemembers are facing with the rise of digital payment apps, such as fraud, scams, identity theft, and unresolved problems with applications.

What does this mean for you: The increasing complaints related to digital payment apps among servicemembers, along with the CFPB's heightened attention to servicemember issues, highlight a key area of risk for organizations catering to this demographic, regardless of what products or services are offered. To mitigate risk, organizations must prioritize the safety and security of their networks, provide prompt and adequate resolutions to complaints, and ensure their marketing materials are clear, accurate, and transparent.

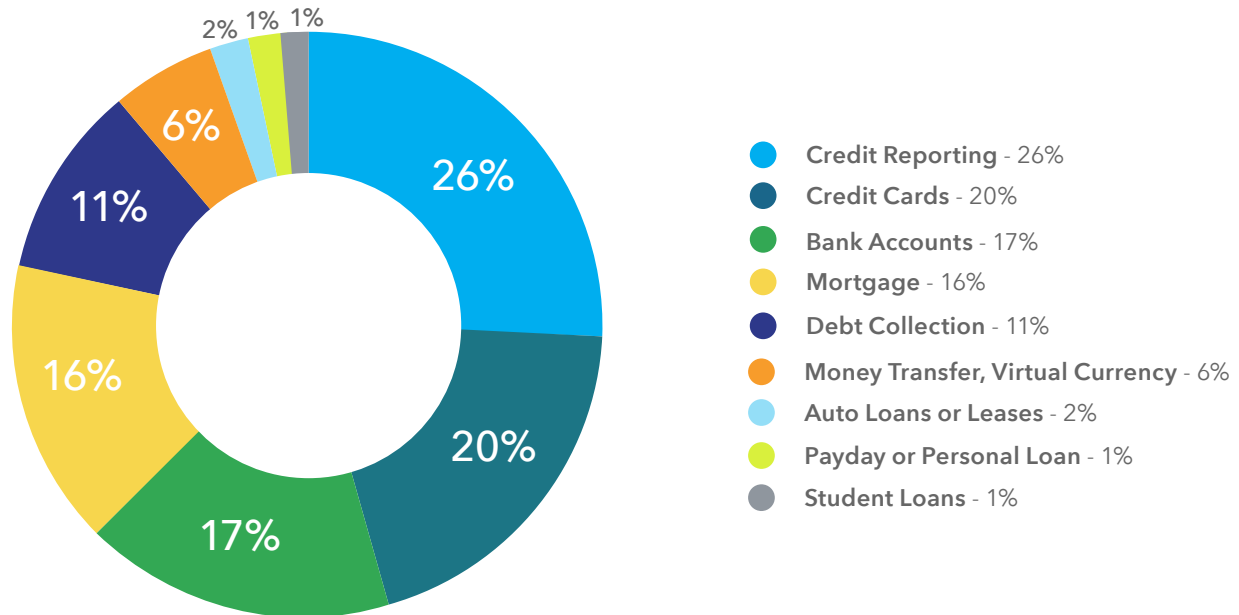
3.3b Older Consumers

The CFPB also monitors complaints from consumers who indicated they were 62 years of age or older at the time of submission, marked as “older consumers.”

Older Consumer Complaints
Year over Year



Older American Complaints by Product 2022



The number of complaints from older consumers has generally increased over the years, with a significant increase observed between 2020 and 2022. In 2022, the major complaint categories for older consumers were credit reporting, credit cards, bank accounts, and mortgage.

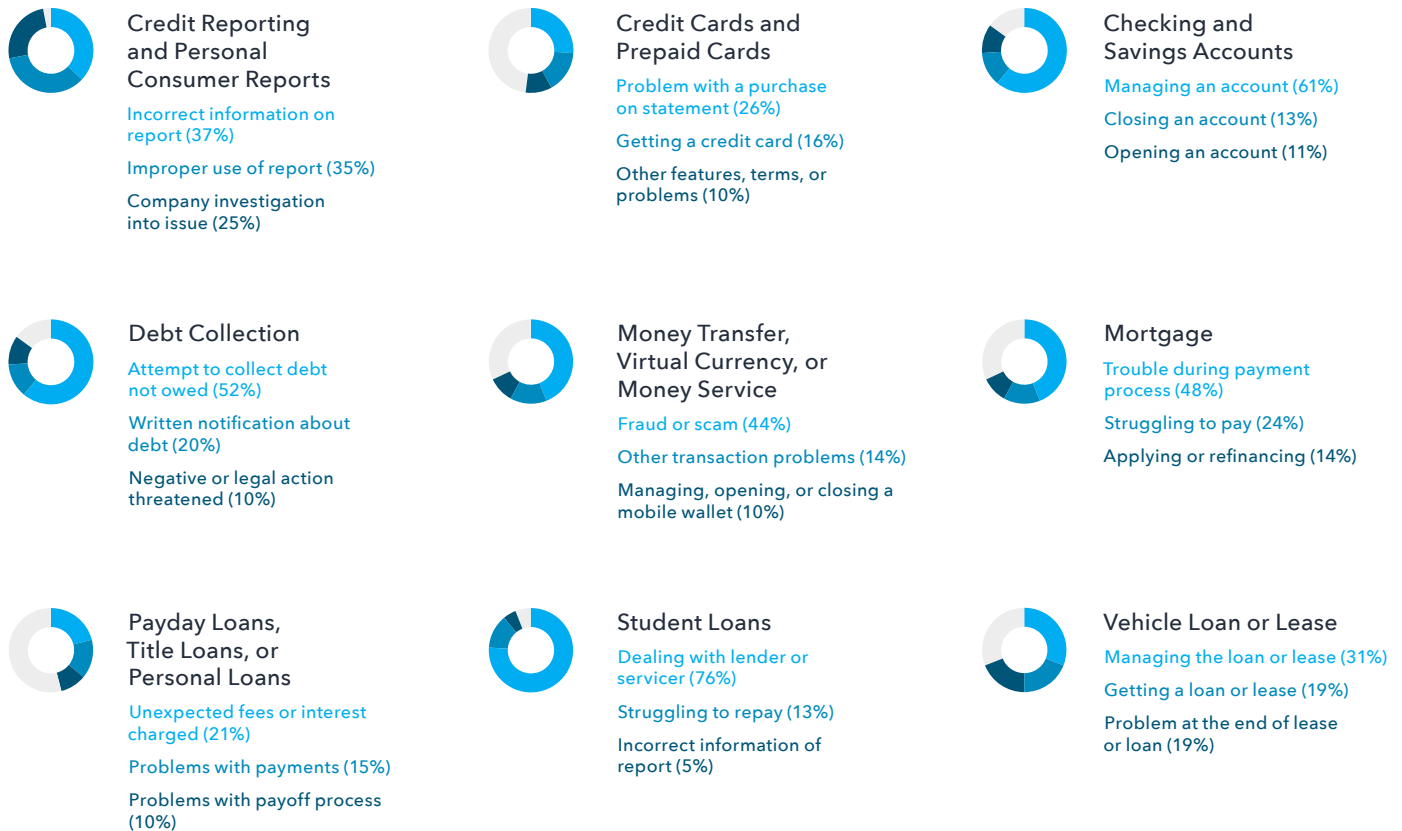
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CFPB's Focus on Negative Option Programs Due to Consumer Complaints from Older Consumers

In the CFPB's Consumer Protection Circular 2023-01, the Bureau notes that they received complaints—specifically noting those from older consumers—about being repeatedly charged for products or services they did not intend to purchase or no longer wish to continue (“negative option marketing”). Consumers have also expressed difficulty canceling these subscriptions and experiencing unauthorized charges to their credit cards or bank accounts.

What does this mean for you: The increase in complaints submitted by older consumers, coupled with the CFPB's scrutiny of negative option programs and subscriptions, highlight growing consumer dissatisfaction with deceptive practices and challenges in canceling services. Consumer finance organizations must ensure transparent marketing materials, obtain informed consent, simplify cancellation processes, and prevent unauthorized charges to comply with regulations and address consumer concerns effectively.

3.4 Top Complaint Issues by Product



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Top 3 Common Issues Account for Majority of Complaints in Consumer Finance Products

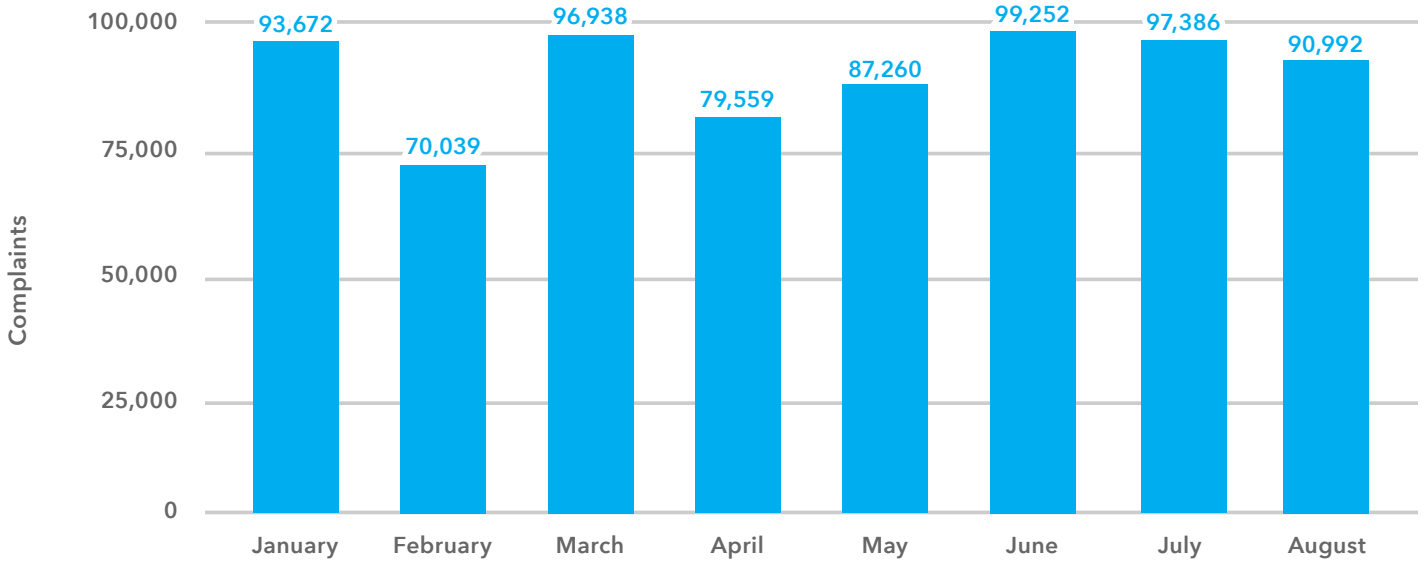
The data reveals that the three most common issues per product make up at least half of all reported complaints for that particular product. This pattern is consistent across various categories, including credit reporting, credit cards, bank accounts, mortgage, and student loans.

What does this mean for you: By understanding that a few recurring issues dominate consumer complaints for each product, organizations can prioritize addressing these specific concerns in their marketing strategies. By understanding exactly what it is that consumers are complaining about, organizations can make it a priority to address these issues and ensure they're proactively preventing and/or quickly responding to these issues in order to get ahead of the rest.

3.5 So Far in 2023

Total Complaints

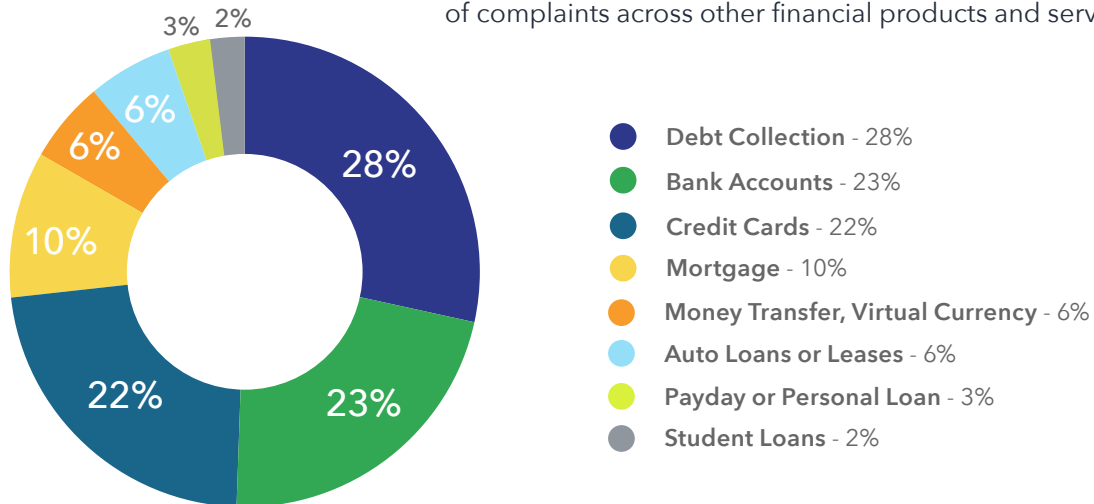
Month over Month



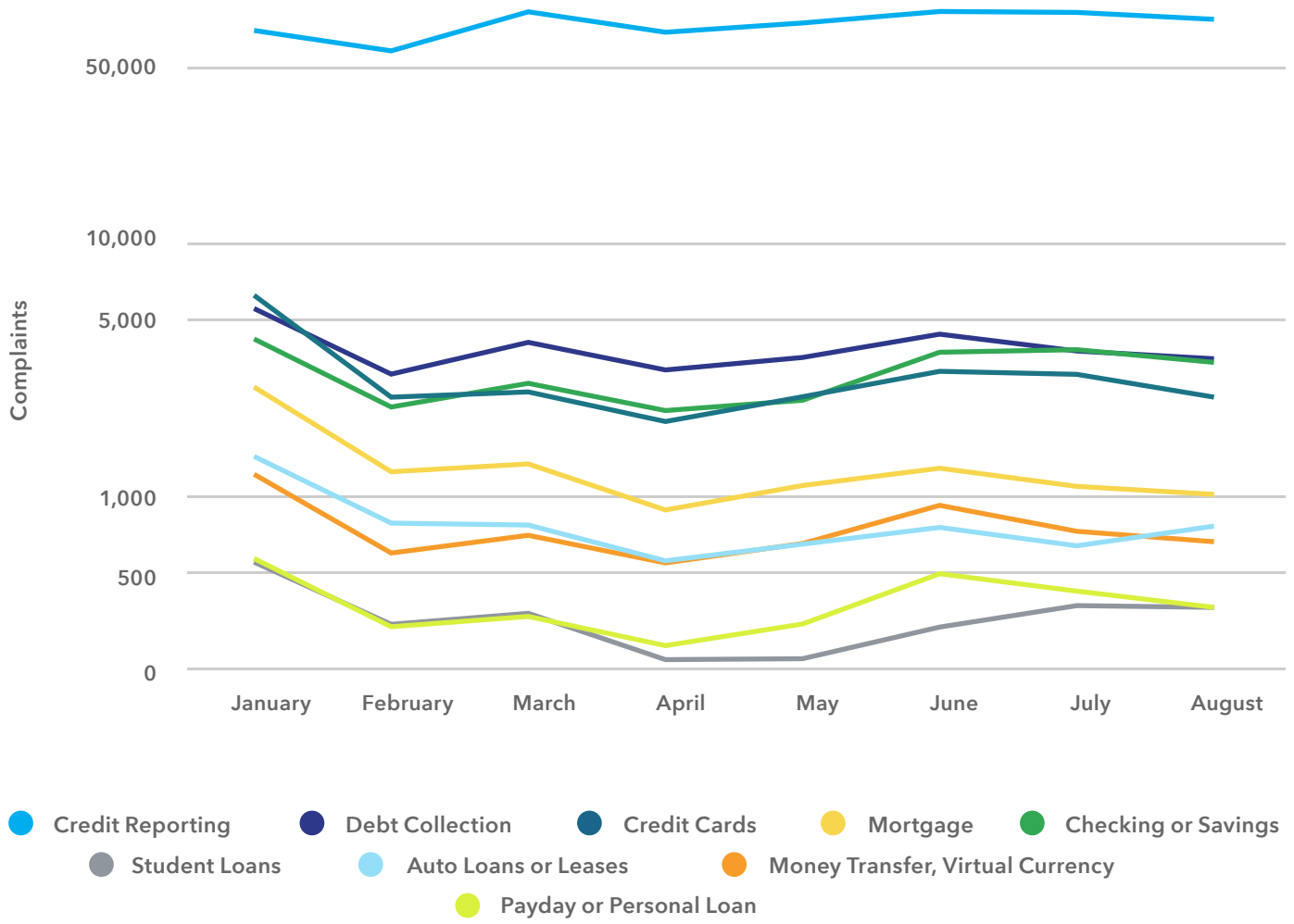
Complaints by Product

2023

*Credit reporting complaints are intentionally excluded from this chart in order to provide a clearer perspective on the distribution of complaints across other financial products and services.



Complaint Trends by Product
Month over Month



RISK SIGNAL Another Year of Unprecedented Complaints

As of September 1, 2023, there are already over 798k complaints in the CFPB’s Consumer Complaint Database—a 60% increase from the same time last year. The way the data is trending, it’s likely that the CFPB will see yet another year of unprecedented complaint numbers.

What does this mean for you: This volume of complaints signals that consumers are still facing challenges in the financial marketplace and are empowered to use their voice by submitting complaints to the CFPB to get their issues resolved. Pay extra attention to your consumers and the complaints they’re submitting to your organization so that you can resolve their issues in a timely manner and avoid them being escalated to regulators.

SECTION 4

Enforcement Trends + Risk

4.1 Enforcement by the Numbers

The CFPB may impose the law by filing an enforcement action in federal court or by initiating an administrative adjudication proceeding. Depending on the outcome, organizations may be required to remedy the harm they caused to consumers or organizations by compensating the consumer.

Congress established the Civil Penalty Fund through the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to provide compensation to consumers who have been harmed by violations of federal consumer financial protection law.

“Obtaining consumer redress is a top priority in any enforcement action.” – **CFPB**

When civil penalties are assessed, the penalty is deposited into the CFPB Civil Penalty Fund. The Civil Penalty Fund can be used to compensate victims of unlawful activities who are not otherwise expected to get full compensation, but only when a civil money penalty was imposed for those activities.

Since its creation
the CFPB has taken:

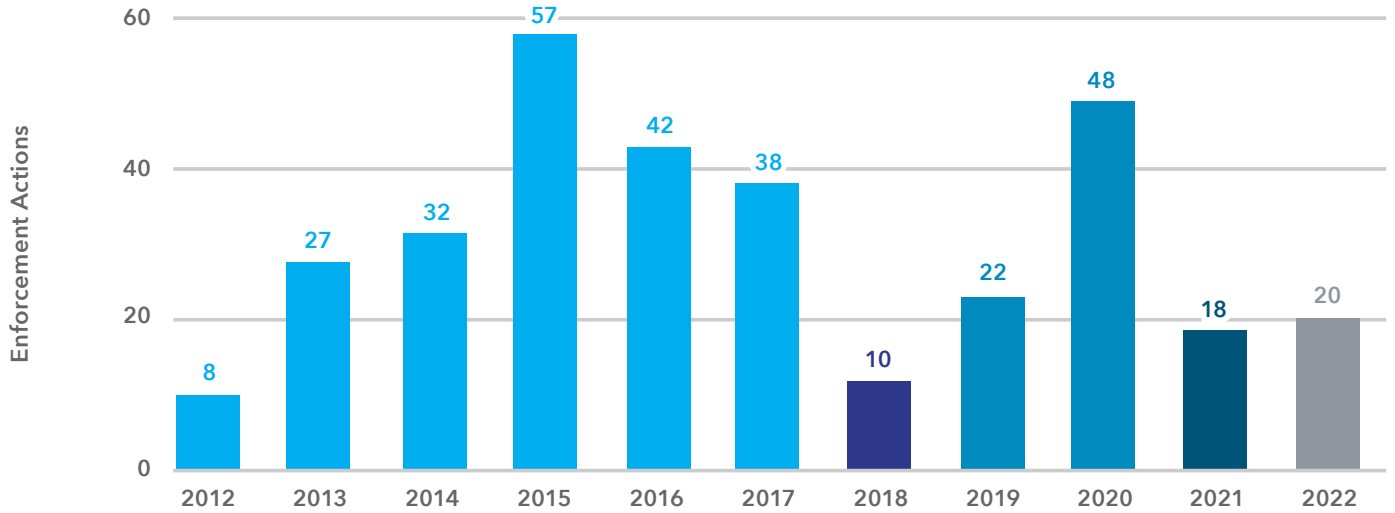


322
Public
Enforcement
Actions

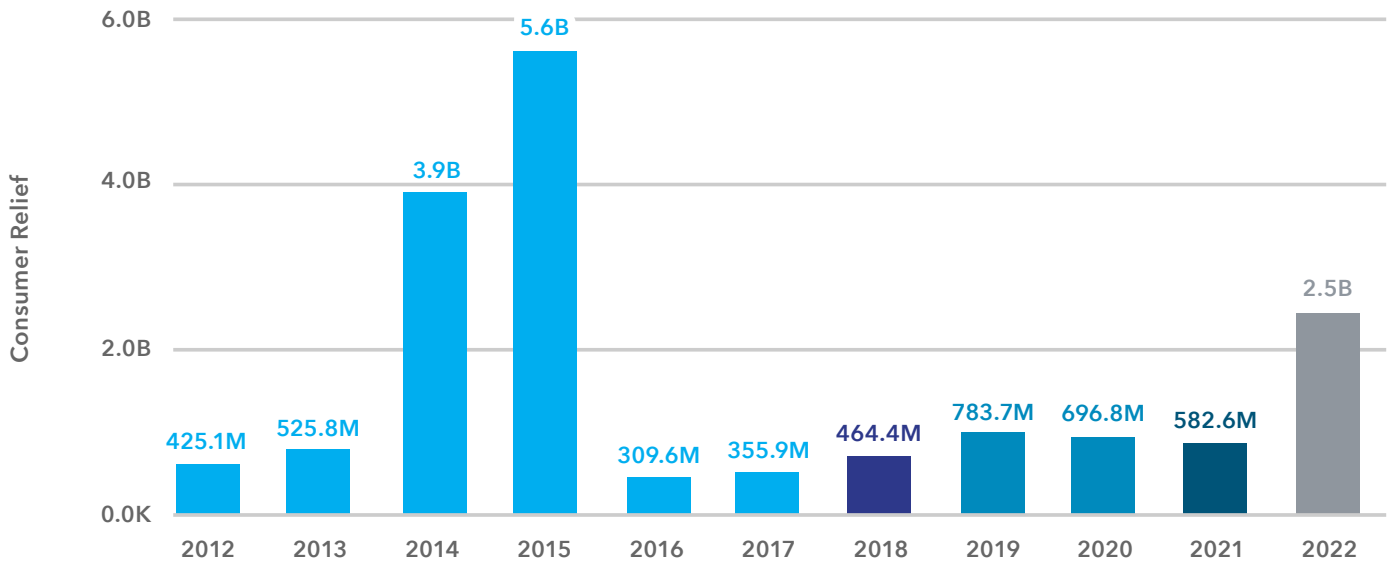


Totaling
\$13.5 Billion
in Consumer Relief

Count of Enforcement Actions by Year



Consumer Relief by Year



Enforcements by Director

- Richard Cordray
- Mick Mulvaney
- Kathy Kraninger
- David Uejio
- Rohit Chopra

While the number of enforcement actions decreased in recent years, consumer relief saw a significant increase in 2022. The data suggests that although fewer actions were taken, the focus shifted towards providing more substantial monetary compensation to affected consumers.

However, fewer public enforcement actions doesn't mean an inactive CFPB.

Industry experts weigh in:

"I don't think the numbers tell the whole story here. From what we've seen, there's a huge number of non-public supervisory activity occurring behind the scenes, including throughout 2022. This non-public supervisory activity is what's going to generate a greater number of enforcement matters and, subsequently, more public investigations, which will come to light. So, while there might not have been as many public cases, particularly from 2021 to 2022, as we initially anticipated, I'm of the opinion that whether it's in 2023 or 2024, the non-public activities that we've seen over the past year and a half to two years will progressively find their way into the public domain."

– **Courtney Hayden, Counsel, Goodwin (via [COMPLY by PerformLine](#))**

"No one should think that Director Chopra is lax on enforcement because that's simply not the case. Although there have been fewer [enforcement] announcements, this does not mean that enforcement is asleep at the wheel. In fact, [the CFPB is] extremely active."

– **Lucy Morris, Partner, Hudson Cook (via [American Banker](#))**

RISK SIGNAL

Decreased Public Enforcement Actions, Increased Consumer Relief, and Potential Shift in Strategy

While recent data shows a decrease in the number of public enforcement actions by the CFPB in recent years, there's been a significant increase in providing consumer relief, particularly monetary compensation, in 2022. Director Chopra has focused more on using supervision and advocacy to encourage policy changes within banks and financial institutions.

What does this mean for you: Consumer finance organizations should take note of this shift in focus by the CFPB. While there may be fewer enforcement actions, the emphasis on consumer relief suggests that the CFPB is prioritizing compensation for affected consumers. This signal serves as a reminder for consumer finance organizations to review their marketing materials and ensure they are transparent, fair, and free from deceptive practices.

SECTION 5

Takeaways + Looking Ahead

5.1 Takeaways

Consumer Complaints Matter



Regulators collect and analyze consumer complaints to understand the situations consumers are encountering in the financial marketplace, develop rules, and guide supervisory and enforcement actions. Organizations must recognize the importance of consumer complaints as a valuable source of information to identify potential risk management weaknesses, compliance deficiencies, and emerging issues. By actively monitoring and analyzing consumer complaints, organizations can gain valuable insights into the challenges consumers face, enabling them to proactively address these issues and enhance their compliance programs.

UDAAP + Fair Lending are Key



Consumers are most likely to complain when they feel they have been treated unfairly or if they've been misled or deceived. Organizations must prioritize UDAAP compliance and fair lending practices to mitigate the risk of consumer complaints, regulatory scrutiny, and potential enforcement actions. By maintaining a strong focus on fair treatment and transparent practices, organizations can build trust, protect their reputation, and avoid compliance pitfalls.

Increased Consumer Awareness



The data reveals a growing awareness among consumers regarding their rights and expectations from their financial services providers. Consumers are becoming more informed about their ability to submit complaints and are not hesitant to do so. This trend signifies a shift in the consumer mindset, emphasizing the need for organizations to be proactive in addressing potential compliance issues. Organizations should communicate clearly with consumers, provide transparent information, and promptly resolve complaints to ensure consumer satisfaction and loyalty.

Keep Up with Complaint Trends



Staying informed about complaint trends is crucial for any effective compliance program. By closely monitoring complaint data, organizations can identify patterns and emerging issues impacting their industry. This proactive approach enables organizations to avoid potential compliance risks and take appropriate measures to address them.

5.2 Looking Ahead

Looking ahead, it's essential for organizations to continuously evaluate and refine their compliance programs in light of the key takeaways from consumer complaint data. This involves:

Strengthening Internal Compliance Monitoring Processes



Organizations should establish robust mechanisms to track and analyze consumer complaints, ensuring they are promptly addressed and resolved. This includes implementing effective complaint management systems, conducting regular compliance audits, and leveraging technology to enhance monitoring capabilities.

Enhancing Transparency and Communication



Organizations should improve transparency in their marketing materials, product disclosures, and customer interactions. Clear and accurate information will help manage consumer expectations, reduce complaints, build trust, and mitigate UDAAP and fair lending violations.

Investing in Training and Education



To navigate the evolving regulatory landscape and consumer expectations, organizations should invest in training their employees on compliance best practices, UDAAP, fair lending, and effective complaint resolution techniques. This will empower staff members to proactively address compliance issues and provide excellent customer service.

Collaborating with Regulators



Organizations should maintain open lines of communication with regulatory bodies, including the CFPB. Engaging in proactive discussions and seeking guidance can help organizations align their compliance efforts with regulatory priorities and stay ahead of potential enforcement actions.

Implementing an Omni-channel Monitoring Technology



Organizations should invest in an omni-channel compliance monitoring technology, like [PerformLine](https://performline.com), for comprehensive oversight of all marketing communications with consumers. With automated technology, organizations can promptly identify and address potential compliance issues, minimizing the risk of regulatory violations and consumer harm.



Avoid Consumer Complaints with a Strong Marketing Compliance Program

Ensuring all marketing and sales communications with your consumers are compliant and transparent is critical to building trust.

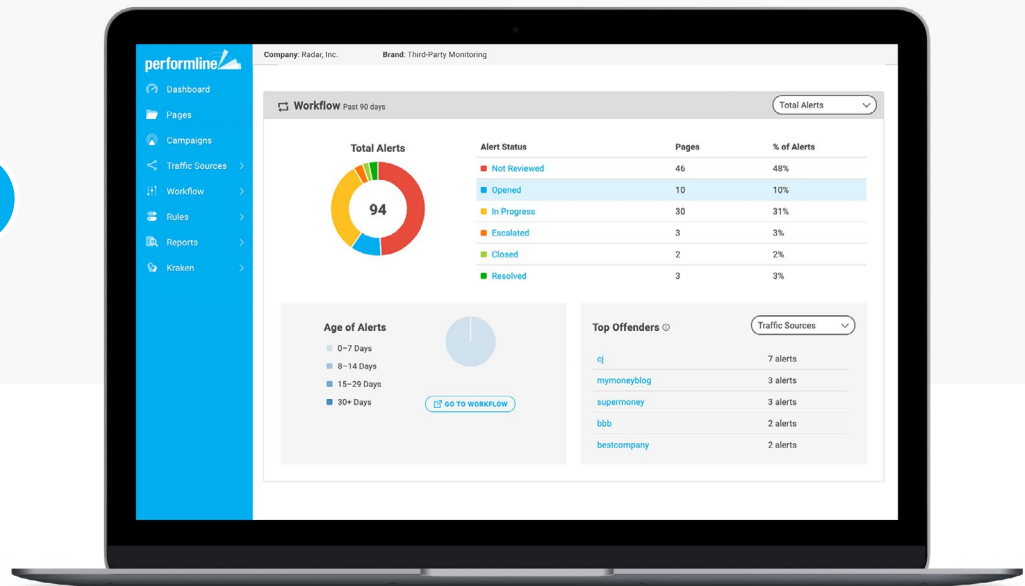
PerformLine is built to help compliance teams protect their brands by mitigating risk in their marketing and sales channels while gaining efficiency through automation.

With PerformLine, organizations like yours can monitor all of its marketing channels and partners at scale to better protect consumers and avoid the complaints that lead to investigations and enforcement actions by the CFPB.

“The PerformLine team has been incredibly creative, collaborative, and helpful in achieving Cross River’s marketing and monitoring goals. The PerformLine tool is incredibly easy to use and has helped Cross River to streamline its marketing and monitoring process.”

– Senior Compliance Analyst, Cross River

See PerformLine in Action!





QUESTIONS?

Contact us at marketing@performline.com