

STATEMENT OF KEVIN ANDERSON

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**BEFORE THE U.S. HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON CONSUMER PROTECTION
AND COMMERCE OF THE COMMITTEE ON ENERGY AND COMMERCE**

Hearing entitled: "Consumers Beware: Increased Risks during the COVID-19 Pandemic"

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Members of the Subcommittee, my name is Kevin Anderson. I am the Director of the Consumer Protection Division in the North Carolina Department of Justice. I have worked on consumer protection matters in our office for over 21 years. I have worked under three different Attorneys General, and currently work for North Carolina Attorney General Josh Stein, the co-chair of the National Association of Attorneys General (NAAG) Consumer Protection Committee. I appreciate the opportunity to appear before the Subcommittee and to provide my perspective on COVID-19 related scams targeting consumers and increased risks faced by consumers during the pandemic.

Consumer protection enforcers know from experience that when a crisis hits, scammers emerge to try to take advantage of the public. Scammers will promote phony miracle cures to consumers wanting to protect their health. They will impersonate government agencies and try to trick consumers to pay fees or provide financial information by claiming that consumers must immediately provide the information or face a dire consequence. And scammers will sometimes engage in price gouging and charge grossly excessive amounts of money for desperately needed goods and services.

It is a simple, but sad, fact of life that a crisis will bring out both the best and the worst in people. At a time when many people will try to band together and help each other, a few will, unfortunately, try to make a bad situation even worse by using the situation as an opportunity to scam and trick people out of their money. Many of these scams will target some of our most vulnerable populations, such as elderly consumers, low income consumers, and immigrant populations. During the COVID-19 crisis, we have seen our share of scams, with some of them having things in common with scams we have seen in the past, and others having new and different wrinkles.

Consumer protection divisions in state attorney general offices all across the country have devoted a tremendous amount of time and resources in efforts to identify COVID-19 related scams, educate the public about them, and to stop them. States are close to the ground and regularly hear directly from our consumers, first hand, about what they are experiencing.

Many consumers are more likely to file complaints or otherwise communicate with a state office like ours, as opposed to a larger federal agency.

We place great emphasis in the North Carolina Department of Justice on handling those complaints and communicating with consumers, and we try to make it as simple and easy as possible for consumers to lodge complaints with us. We encourage consumers to file complaints with us on-line. But we also recognize that not all consumers may have access to the Internet, especially during this pandemic, so we also try to make it easy for consumers to call us and lodge a complaint with us over the phone. We provide a toll-free number and consumers are able to speak one-on-one with a complaint handler. We have a significant Spanish-speaking population in North Carolina, so we also publish our on-line complaint form and consumer information in Spanish and have Spanish-speaking complaint handlers on staff.

State attorney general offices cooperate and work with each other and have mechanisms in place to share information about different types of scams we are seeing in each of our states. Scams can vary in scope and nature. Some are of nationwide scope, but some focus on a region, a state, or even a specific area within a state. It is useful for us to learn about what other states are seeing so that we can be prepared for those scams if they come our way and so that we can educate consumers about them. We also communicate and share information about scams with federal partners, such as the Federal Trade Commission and the U.S. Department of Justice, and consumer advocacy groups.

What follows is a sampling of some of the COVID-19 scams that states have seen or heard about to date:

- Miracle COVID-19 cures
- Supplements or herbal remedies that claim to cure or prevent COVID-19
- Suspect “pop-up” COVID-19 testing sites
- COVID-19 antibody tests falsely claiming to be “FDA approved”
- Charging a bogus fee to expeditiously process a consumer’s stimulus check
- Nursing homes trying to confiscate a consumer’s stimulus check by wrongly claiming that they are entitled to the check for Medicaid reasons
- Telemarketers falsely claiming they are from the IRS and trying to trick the consumer into paying a fee or providing personal financial information for stimulus check purposes
- Telemarketers falsely claiming they are from the Federal Trade Commission offering money from a “Global Empowerment Fund” or from the Federal Communications Commission offering COVID-19 relief money
- Robocall scams where the telemarketer falsely claims to be from your insurance company or Medicaid offering free COVID-19 tests
- Door-to-door scams where the scammer falsely claims to be selling cleaning supplies and testing kits as a pretense to enter the consumer’s house and rob them

- Scams that attempt to take advantage of the fact that people are spending more time playing video games during the pandemic and try to steal consumer's passwords by utilizing pop up questions that trick consumers into providing answers to questions that are commonly used as passwords by other services the consumer uses
- False websites advertising jobs for people to become contact tracers, which try to trick consumers into providing personal or financial info
- Telemarketers impersonating state or local health departments and falsely claiming that the consumer has been in contact with someone that has COVID-19 and that the consumer must pay a fee in connection with the contact tracing process
- Phony phishing emails from the World Health Organization that try to trick consumers into providing personal or financial information
- Email phishing scams where scammers make unfounded promises about ways in which small business owners can quickly get approvals for Emergency Injury Disaster Loan funding from the Small Business Administration (SBA)
- Unemployment scams where overseas scammers use personal information stolen in data breaches and hacks to file for unemployment benefits in someone else's name
- Puppy scams where scammers trick consumers wanting a new pet during the pandemic into paying upfront money for a non-existent pet
- Individuals hoarding over 17,000 bottles of hand sanitizers and planning to charge high prices for them
- Towing companies that wrongly towed and booted trucks delivering needed goods and services to stores and then charging thousands of dollars above market rates for the trucks to be released

In North Carolina, for example, we sent a cease and desist letter to a self-proclaimed "witch doctor" promoting a miracle cure for COVID-19 via a billboard, resulting in an end to the billboard advertisement. We also sent such a letter to a chiropractor who briefly claimed via the Internet that a number of studies showed chiropractic treatment could cure COVID-19, and helped stop that activity. We sued a towing company engaging in the type of activity described above, alleged a violation of North Carolina's price gouging law and obtained a temporary restraining order and preliminary injunction against it. And we have a number of COVID-19 scam and price gouging investigations still under way. Other states are engaging in similar efforts, although we each have to rely on the particular evidence and facts that come to light in our respective states.

Many of the scams we have seen during the pandemic are, to a certain extent, particular to COVID-19 circumstances and, in that sense, are different from scams we have seen in the past. But in another sense, many of these matters are, at their heart, very similar to core types of scams that we have seen many times in the past but with new, contemporary wrinkles.

One core scam we have seen many times is the scam where a telemarketer impersonates a legitimate entity, whether a business or a government agency, and tries to

create a sense of urgency, demanding that the consumer make a wire transfer or some other form of immediate payment. For example, in the past, we've frequently seen telemarketers impersonate tax authorities and claim that the consumer needs to make an immediate payment over the phone in order to avoid going to jail. Likewise, another variation on this scam is where the telemarketer falsely tells a small business, such as a restaurant in the middle of the lunch rush, that they are from the utility company and that if the business does not make an immediate payment that they will promptly lose power. One modern, COVID-19-related, variation on this core impersonation scam is the scam where the telemarketer impersonates a health department and says that the consumer has been in contact with someone who has COVID-19 and must pay an immediate fee in order to start the contact tracing process.

On the price gouging front, the reports we are hearing are different in many ways from what we typically see during other states of emergency. In North Carolina, we have a great deal of experience enforcing our price gouging law due to the number of hurricanes we have experienced in recent years. After Hurricanes Michael and Florence devastated North Carolina in 2018, we brought 7 price gouging lawsuits against 22 defendants, ultimately obtaining more than \$725,000 in judgments, including \$245,000 in consumer restitution, \$392,500 in money that companies were barred from collecting from consumers; and \$94,500 in penalties and fees. In the hurricane price gouging situation, we often receive reports from consumers about excessive amounts being charged for tree removal services, gas, lodging, and rental cars. During the COVID-19 pandemic, though, we are examining issues involving prices charged for hand sanitizer, masks, and other personal protective equipment (PPE) items that are often not typically reported as being an issue during the aftermath of a hurricane. So, in many ways, we are seeing new things and breaking new ground when it comes to price gouging as applied to the COVID-19 situation.

One major defense for protecting the public and minimizing the risk of harm is to try to prevent the scams at the outset by educating consumers about them so that they are not as likely to fall for them. It is helpful for consumers to have tips and tools to inform and protect themselves. There are a number of COVID-19 resources on the National Association of Attorneys General's webpage: <https://www.naag.org/naag/covid.php>. Many state attorney general offices have state-specific COVID-19 scam resources on their own webpages. For example, in North Carolina we have a page devoted to COVID-19 resources - <https://ncdoj.gov/covid19/> - and have issued a one page guide for consumers on how to avoid COVID-19 related scams - https://ncdoj.gov/wp-content/uploads/2020/03/AttorneyGeneralStein_CoronavirusScamsGuide.pdf.

We have also engaged in numerous other outreach efforts in order to provide the public with information and tips on scams, including a live, virtual event held yesterday, open to the public, where North Carolina Attorney General Josh Stein discussed our office's work to stop

scams and robocalls and shared information about how North Carolinians can protect themselves and their personal information during the pandemic.

It makes sense to try to prevent scams from the outset because once a consumer gives a scammer money it can be difficult, as a practical matter, to recover the funds. In many instances, a major obstacle is simply locating the scammer. In particular, scammers that telemarket or use the Internet and email can be difficult to locate and pursue because many of them are operating overseas. This is an instance where increased technology can be a double-edged sword. On the one hand, technology makes it easier for consumer protection advocates to effectively inform consumers about scams. On the other hand, scammers use technology in furtherance of scams, to operate remotely, and to make it more difficult to track them down.

States also play an important role in fighting scams by investigating and enforcing state laws dealing with unfair and deceptive trade practices and price gouging. States bring enforcement actions when the evidence warrants it and a good case can be made that the law has been violated. It can be challenging to pursue litigation in a situation like this, due to the fast moving nature of the crisis and the tendency of many scammers to quickly disappear (described by some as the “whack-a-mole” problem). States, though, have already brought a number of law enforcement actions in connection with the COVID-19 pandemic and continue to pursue investigations and build cases.

In sum, COVID-19 scams are very damaging to the public and cause enormous harm during these difficult, unprecedented times. State attorney general offices play a crucial role in protecting the public by educating consumers on scams and price gouging, investigating suspect activity, and bringing enforcement actions on their behalf. It takes a devoted effort on all fronts, state and federal, to effectively protect consumers.

Thank you again for your interest in this important issue. Holding public hearings, like the one taking place today, is an important way of shedding light on these scams and providing the public with necessary information about them. I’ll be glad to answer any questions you have and to provide the Subcommittee with any additional information that would be helpful.