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ATTORNEY GENERAL**

**OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION UNIT
2000 ANNUAL REPORT**



CONSUMER PROTECTION UNIT MISSION STATEMENT

The Attorney General's Consumer Protection Unit enforces Idaho's Consumer Protection, Competition, Telephone Solicitation, Pay-Per-Telephone Call, and Charitable Solicitation Acts. These Acts protect consumers, businesses and the marketplace from unfair or deceptive acts and practices. The Consumer Protection Unit seeks to fulfill this charge efficiently and economically through education, mediation, and enforcement.

The Attorney General reports to the public annually on the Consumer Protection Unit's activities. This report covers the calendar year 2000.

HISTORY

The Legislature has assigned to the Attorney General enforcement duties in consumer protection, telephone and charitable solicitations, 900-number telephone calls, and antitrust. In 2000, the Legislature established Idaho's No Call List and placed the duty of maintaining and enforcing its provisions upon the Attorney General. The Consumer Protection Unit (CPU) was established in 1987 and seeks to carry out the Attorney General's duties in these areas.

2000 ACTIVITIES SUMMARY

This year the Consumer Protection Unit obtained significant consumer restitution as a result of its enforcement actions. CPU staff educated thousands of people about consumer issues.

During 2000, consumers reported more than \$765,555 in monetary losses. The Consumer Protection Unit recovered \$905,055 for Idaho consumers (including restitution from enforcement actions) and \$546,132 in civil penalties, fees, and costs. These amounts do not reflect the \$20.7 million dollars the State received in 2000, pursuant to the settlement agreement negotiated by the CPU with tobacco manufacturers.

The Consumer Protection Unit logged a total of 10,318 instances of consumer assistance in 2000. 2,193 of these contacts were consumer complaints. The remaining 8,125 consisted of information received from consumers, processing requests for information and forms, and

processing inquiries about particular businesses. This number does not reflect a multitude of telephone calls and personal contacts that were not logged in nor tracked by the CPU's database.

Money from civil penalties, fees and reimbursed costs is deposited into the consumer protection account. Funds from this account pay for all of the CPU's educational activities, investigations, and litigation expenses, pursuant to legislative appropriation.

APPLICABLE LAWS

The Consumer Protection Unit enforces, and operates pursuant to, the following statutes and rules:

- the Idaho Consumer Protection Act,
- the Idaho Telephone Solicitation Act,
- the Idaho Competition Act,
- the Idaho Pay-Per-Telephone Call Act,
- the Idaho Charitable Solicitations Act,
- the Idaho Consumer Protection Rules, and
- the Idaho Telephone Solicitation and Pay-Per-Telephone Call Services Rules.¹

The Consumer Protection Unit also enforces provisions of other statutes, including those dealing with chain and pyramid distribution schemes. In addition, the CPU provides information regarding Idaho's Lemon Law, Landlord/Tenant, and Mobile Home Park Acts.

STAFFING

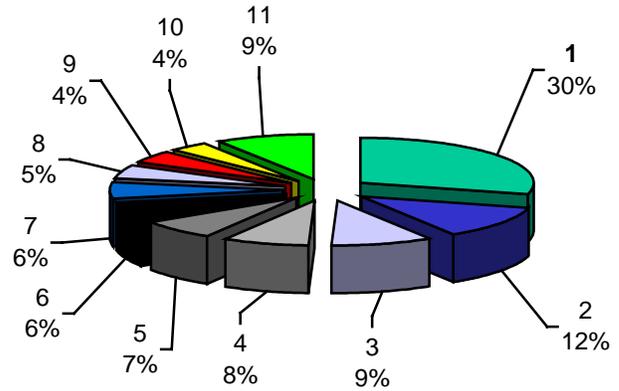
The Consumer Protection Unit is staffed by three deputy attorneys general, two investigators/paralegals, three consumer specialists, one telemarketing specialist, one consumer assistant, and one legal secretary.

¹ These Idaho statutes and rules are codified, respectively as follows: Idaho Consumer Protection Act, Title 48, Chapter 6, Idaho Code; Idaho Telephone Solicitation Act, Title 48, Chapter 10, Idaho Code; Idaho Competition Act, Title 48, Chapter 1, Idaho Code; Idaho Pay-Per-Telephone Call Act, Title 48, Chapter 11, Idaho Code; Idaho Charitable Solicitations Act, Title 48, Chapter 12, Idaho Code; Idaho Consumer Protection Rules, IDAPA 04.02.01000 et seq.; and Idaho Telephone Solicitation and Pay-Per-Telephone Call Services Rules, IDAPA 04.02.02000 et seq.

2000 TOP TEN CONSUMER COMPLAINTS

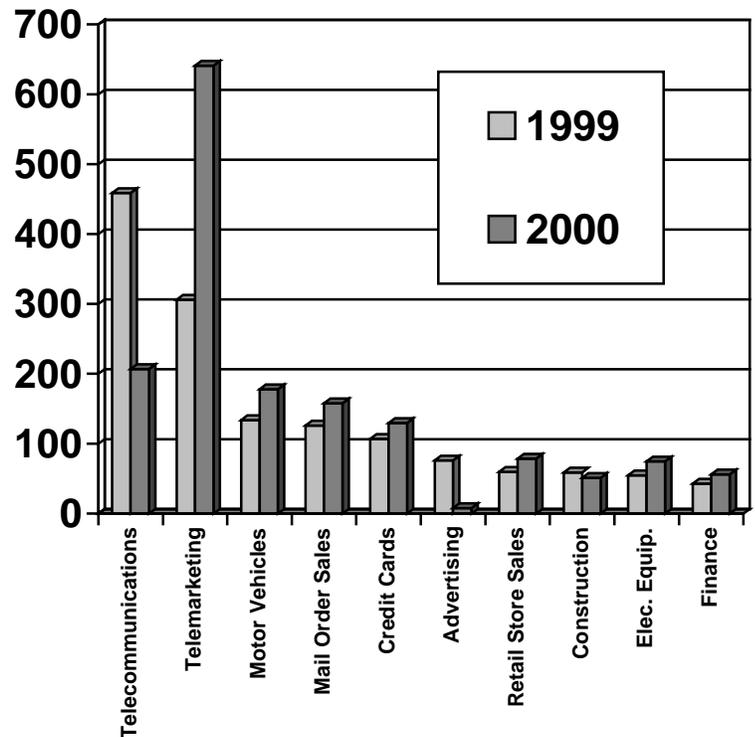
Telemarketing has been number one or two on the Consumer Protection Unit's Top Ten Complaint List for the past ten years, and 2000 was no exception. Telemarketing complaints, totaling 641, made it the number one complaint category last year. In fact telemarketing complaints accounted for 30% of all the complaints received by the Consumer Protection Unit in 2000. The top ten list is as follows:

	2,193
1. Telemarketing	641
2. Recreation	262
3. Telecommunications	207
4. Motor Vehicles	178
5. Mail Order Sales	158
6. Credit Cards	130
7. Multi-Level Marketing	129
8. Miscellaneous	111
9. Collection Agencies	97
10. Retail Store Sales	79
11. Total of all other complaints	201



2000 Top Ten Complaints
(As a percentage of all complaints)

	1,874
1. Telecommunications	459
2. Telemarketing	306
3. Motor Vehicles	134
4. Mail Order Sales	126
5. Credit Cards	107
6. Advertising	76
7. Retail Store Sales	60
8. Construction	59
9. Electronic Equipment	55
10. Finance	43
11. Total of all other complaints	449



ENFORCEMENT

US BANK. The Consumer Protection Unit entered into a Consent Judgment with U.S. Bank, resolving allegations that US Bank misrepresented its practice of selling highly personal and confidential financial information to telemarketers regarding thousands of its Idaho customers. Types of information sold included the customer's checking account number, credit card number and social security number. At the time US Bank customers' information was being sold, US Bank was telling its customers that it would keep confidential the consumer's personal information

Using the information provided by the bank, the telemarketers solicited Idaho consumers to purchase various membership service programs. Consumers were generally offered a 30-day trial membership. If the consumer did not cancel during the trial period, the consumer was automatically charged the monthly or annual membership fee. Although the consumer was never asked to provide an account number, the information sold by US Bank allowed the telemarketer to make withdrawals from the consumer's US Bank checking account or charge their US Bank-issued credit card.

Under the settlement, U.S. Bank paid Idaho \$67,000 and agreed to stop the practice of sharing customer account information with third parties for purposes of marketing non-financial products and services. It also agreed not to misrepresent its privacy policies in the future. Finally, the Bank agreed to offer refunds to Idaho customers.

SWEEPSTAKES. In 2000, the Consumer Protection Unit reached settlements with three sweepstakes companies: Publishers Clearing House, United States Purchasing Exchange, and Time, Inc. These settlements resolved claims that all three companies used deceptive and misleading tactics in their sweepstakes promotions. These companies send thousands of pieces of mail to Idahoans annually, each of which offer consumers the opportunity to enter a sweepstakes. All of the settlements restrict the companies from deceptively stating that a consumer is about to become the winner of a sweepstakes, falsely telling consumers that they have a better chance of winning a sweepstakes than they actually do, or misrepresenting that the sweepstakes package has been sent by special courier or a special class of mail. Publishers Clearing House paid \$75,000 in attorneys fees, costs and penalties along with over \$150,000 in consumer restitution. United States Purchasing Exchange was also required to pay \$75,000 and more than \$173,000 in restitution. Finally, Time, Inc. agreed to pay \$75,000 in attorneys fees, costs, and penalties along with nearly \$21,000 in consumer restitution. All of these settlements were reached with the cooperation of other State Attorneys General.

CIVIC DEVELOPMENT GROUP (CDG). This telemarketing, company located in New Jersey, did work in Idaho for the Idaho Fraternal Order of Police. The telemarketers told Idaho consumers, falsely, that the Attorney General had approved their solicitation and the actual scripts being used. The Consumer Protection Unit entered into an Assurance of Voluntary Compliance with CDG. In addition to injunctive relief, CDG paid the State \$10,000 in civil penalties, fees and costs.

BAKER & TAYLOR INC. The Consumer Protection Unit settled its consumer fraud lawsuit against Baker & Taylor, Inc., one of the nation's largest book wholesalers. The lawsuit

alleged that Baker & Taylor, Inc., improperly overcharged public schools and public libraries for millions of books since 1980. Under the settlement, Baker & Taylor paid Idaho \$55,655, which was distributed to overcharged libraries and public schools. Baker & Taylor also agreed in its settlement to injunctive provisions related to stopping the conduct alleged in the complaint.

PYRAMID SCHEMES. In the year 2000 the Consumer Protection Unit entered into Assurances of Voluntary Compliance with several promoters and participants of pyramid schemes known as "The Pit Stop," "Family and Friends," and the "Money Exchange." Consumers reported to the CPU that the illegal pyramid was actively promoted throughout the State of Idaho. All of the settlements required the participants to provide full restitution to all individuals from whom they received monies as a result of their participation in the scheme. In addition the CPU conducted education seminars throughout the State for local law enforcement officials to educate them on the dangers of pyramid schemes.

CUSTOM SPORTS PUBLICATIONS. This Texas company sold advertising on high school sports calendars. Telemarketers told consumers that local high schools would financially benefit from the purchase of advertising. That was not the case. The Consumer Protection Unit entered into an Assurance of Voluntary Compliance with Custom Sports that resulted in a \$7,500 payment to the State for fees and costs. Thirty Idaho businesses received full refunds, totaling approximately \$5,000. Many businesses entitled to refunds elected to have their refund donated to their local high schools.

DAMARK. This mail order catalog company engages in inbound and outbound telemarketing regarding the sale of club memberships. Consumers complained that their credit cards were charged for such purchases without their authorization. Damark also engaged in a "negative option" program in connection with the renewal of its club memberships. The Consumer Protection Unit entered into an Assurance of Voluntary Compliance with Damark which resulted in full consumer restitution, injunctive relief and a payment of \$15,000 to the state.

NINEWEST GROUP INC. The Consumer Protection Unit resolved a price-fixing lawsuit with Ninewest Group, Inc., the manufacturer of a variety of women's shoes. The settlement, joined in by the attorneys general of 49 other states as well, requires Ninewest to pay Idaho \$134,000. In addition, the company agreed to injunctive relief designed to stop the anticompetitive practices at issue in the case.

FUTURE SHOP. In February of 1999, Future Shop, a computer and electronics retailer, notified the public that it would cease doing business in the United States within approximately 90 days. Future Shop intended to continue its business in Canada where it is the largest such retailer. Since the date of Future Shop's closing, the Consumer Protection Unit has continued to receive consumer complaints indicating that Future Shop was refusing to accept valid merchandise returns and was not honoring extended service warranties. Through informal enforcement actions, the CPU has been able to require Future Shop to accept all valid merchandise returns and provide appropriate refunds. The CPU also required Future Shop to make arrangements with computer/electronics service shops around the state so that consumers would receive the extended warranty services they had purchased.

WESTERN TELECOM. This was an enforcement action for slamming, the unauthorized changing of a consumer's long distance telephone service provider. The Consumer

Protection Unit entered into an Assurance of Voluntary Compliance which resulted in full consumer restitution and a payment of \$15,000 for civil penalties, fees and costs.

TOYS R US. The Consumer Protection Unit filed suit against Toys R Us, and a number of toy manufacturers for allegedly conspiring since 1990 to withhold popular toys from low margin warehouse clubs. As a result, consumers paid higher prices for certain toys and could not compare toy prices. The defendants, Toys R Us, Mattel, Hasbro, and Little Tikes agreed to a settlement. Under the settlement, Idaho is receiving, over three years, \$150,000 worth of toys to distribute to needy children. The defendants also paid the State \$58,000 in cash with the provision that the money benefit children in the State of Idaho.

WADE COOK FINANCIAL CORPORATION. This was a joint enforcement action with the Federal Trade Commission and seven (7) other states. The Attorney General alleged that presenters at Wade Cook Financial Corporation's Wall Street Week seminars misinformed attendees regarding the amount of income that could be realized by adhering to Wade Cook's investment strategies. The personal profits of Wade Cook were also misrepresented to attendees. The consent judgment in this case resulted in the reimbursement of seminar costs to a large number of purchasers and payment of \$11,636 for civil penalties, fees and costs.

PHILLIP LANDIS. The Consumer Protection Unit filed a lawsuit against a number of persons and entities engaged in a mushroom cultivation enterprise. The defendants deceptively marketed and promoted this enterprise. The CPU obtained a judgment against many of the named defendants in the proceeding in the amount of \$689,000.00. Additional efforts are being made to obtain a judgment against the one (1) remaining defendant, and to collect upon the judgment.

TOBACCO. During 2000, the tobacco industry paid more than \$20.7 million to the State, pursuant to its settlement agreement with the attorney general. The CPU continues to work on a multitude of implementation issues related to the settlement agreement.

ON-GOING LITIGATION AND INVESTIGATIONS. The CPU is litigating cases in Ada, Jefferson, and Cassia Counties for alleged violations of the Consumer Protection Act. The CPU is also litigating cases in federal courts in Florida, New York, and Washington, D.C. for violations of the antitrust laws.

The Consumer Protection Unit is actively investigating certain automobile leasing practices, multiple pyramid operations, long distance companies that allegedly slammed or misrepresented their services, and sweepstakes operators. It is expected that several of those investigations will result in settlements or the initiation of legal enforcement proceedings.

EDUCATION

Attorney General Lance believes that consumer education is essential. "My Consumer Protection Unit will win its battles in the courtroom, but Idaho will win the war on consumer fraud with informed citizens protecting themselves from loss and harm," Attorney General Lance has stated. Accordingly, the CPU conducts an aggressive consumer education program.

Consumer Protection Unit personnel made 52 presentations to approximately 1,964 people throughout the state. In addition, Consumer Protection Unit staff talked with thousands of Idaho residents during the Western Idaho, Canyon County, and Twin Falls County Fairs.

The Consumer Protection Unit prepared and distributed thousands of folders with consumer information targeted toward a variety of groups, including senior citizens and high school seniors.

All of the Consumer Protection Unit's written materials are available through the Attorney General's Internet homepage. Tipsheets cover a variety of topics, including telephone solicitors, automobile repairs, mail fraud, Idaho's Lemon Law, construction fraud, and charitable donations. Consumers can also read Idaho's consumer protection laws and learn how to file a consumer complaint. The Attorney General's Internet address is: <http://www2.state.id.us/ag>.

Citizens can also obtain information on consumer issues by calling 334-2424 (Boise) or toll-free (in-state) 800-432-3545.

The Consumer Protection Unit provides all educational efforts at no cost to taxpayers. Money from civil penalties, fees and reimbursed costs is deposited into the consumer protection account. Funds from this account pay for all educational activities, pursuant to legislative appropriation.

LEGISLATION

In the 2000 legislative session, Attorney General Lance proposed and the Legislature enacted measures to stop unsolicited telephone calls (Idaho's No Call List) and to address conversions by non-profit hospitals into for-profit ventures. The CPU also worked with the Speaker of the House of Representatives in repealing the Idaho Antitrust Act and replacing it with the Idaho Competition Act.

The Idaho No Call List developed very strong public support. Idahoans can have their telephone numbers placed on the No Call List for a period of three years. Once the list is published, telemarketers are prohibited from calling people on the list. The law does not cover telephone solicitors who are seeking charitable donations. It also does not stop people from calling people with whom they have an established and existing business relationship. Registration was opened to the public on January 2, 2001. The fee is \$10 for the first three years. Registrations may be renewed for three years for \$5. Attorney General Lance was the first person to sign up. He was followed by the legislative sponsors of the bill, Senator John Sandy and Representative Julie Ellsworth. In the first three weeks, over 5,000 Idahoans registered for the No Call List.



NOTES: In 2000, the Consumer Protection Unit recovered \$2.98 in restitution for each taxpayer dollar appropriated. For the past 10 years the CPU has recovered more money for Idaho residents than the Legislature has appropriated from its general fund for CPU operations. CPU salaries and benefits are expected to cost taxpayers approximately \$304,200 for the 2001 fiscal year. Another \$360,100 is budgeted from the consumer protection account for consumer education, the salaries of staff members, and litigation and investigative expenses. The consumer protection account is comprised of moneys obtained through CPU enforcement actions.

CONSUMER PROTECTION NUMBERS CHART FOR 2000

	Complaints*	Other Consumer Contacts	Dollars Claimed Lost	Consumer Restitution Recovered	Civil Penalties and Costs Recovered	Enforcement Actions**	Telemarketers Registered	Idahoans on No Call List
1989	1,243	N/A	\$735,731	\$22,201	\$0	6	N/A	N/A
1990	1,614	N/A	\$680,172	\$130,469	\$500	9	N/A	N/A
1991	2,525	N/A	\$489,467	\$263,435	\$56,500	62	N/A	N/A
1992	3,367	N/A	\$831,437	\$394,376	\$127,845	66	18	N/A
1993	3,130	N/A	\$1,042,885	\$986,571	\$243,571	100	41	N/A
1994	3,228	N/A	\$1,268,283	\$1,757,469	\$163,621	78	66	N/A
1995	3,627	N/A	\$960,191	\$532,657	\$134,000	96	57	N/A
1996	4,497	N/A	\$528,945	\$1,363,375	\$164,300	63	61	N/A
1997	5,451	N/A	\$920,285	\$1,918,676	\$537,768	50	46	N/A
1998	5,678	N/A	\$882,486	\$638,360	\$413,121	56	51	N/A
1999	1,874	8,005	\$793,493	\$376,972	\$962,019	29	48	N/A
2000	2,193	8,125	\$765,555	\$905,055	\$546,136	23	46	N/A

* From 1989 to 1998, this category included all written complaints lodged, inquiries made, information provided and, consumers' requests for written information. Implementation of a new database enables to Unit to now track complaints and other consumer contacts separately.

** Includes Assurances of Voluntary Compliance, Judgments, and Orders Compelling Response and Granting Injunctive Relief obtained. Lawsuits filed, but not yet concluded, are not counted.