

# Consumer complaints to the CFPB: Historical and emerging trends

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The Consumer Financial Protection Bureau has undergone changes and substantial scrutiny since President Donald Trump appointed Mick Mulvaney as the agency's acting director in November 2017.

One of the biggest changes involves how the CFPB reports and uses consumer complaint data.<sup>1</sup> Since taking the helm, Mulvaney has announced that data will be used to guide the CFPB's activities. In a January 2018 Wall Street Journal op-ed he cited consumer complaint statistics and asserted that "data like that should, and will, guide our actions."<sup>2</sup>

He again echoed this stance at a May 2018 conference, explaining that a company's response rate to consumer complaints could affect the CFPB's treatment of the company.<sup>3</sup> At the same time, however, Mulvaney has also suggested plans to revoke public access to consumer complaint data.<sup>4</sup>

In this article we examine more than 1 million complaints in the CFPB's consumer complaint database as of May 31<sup>5</sup> to identify trends in the number of complaints, the distribution of complaints across states, the products and issues consumers complained about and how companies responded to complaints. Given Mulvaney's announcement of a data-driven approach to consumer protection, these trends may shed light on potential areas of focus under the bureau's new leadership.

## THE CFPB'S CONSUMER COMPLAINT DATABASE

The CFPB began accepting consumer complaints July 21, 2011. It began by phasing in the products and services within its mandate.

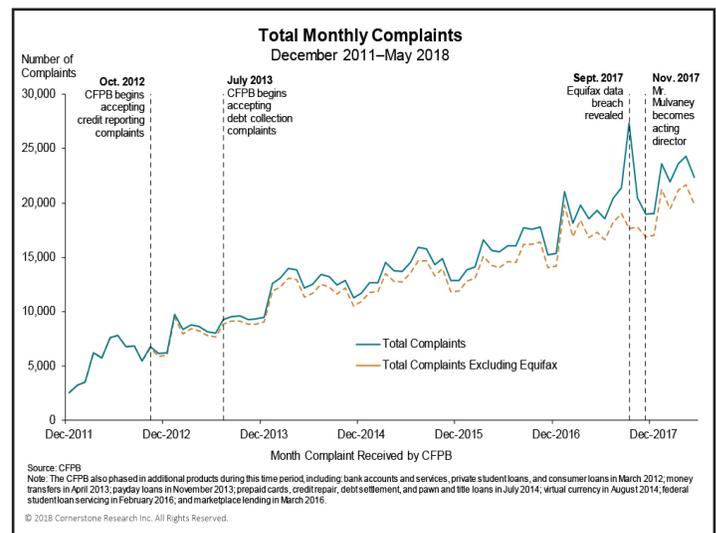
Starting with credit card complaints in July 2011 and mortgage complaints in December 2011, the bureau gradually expanded its coverage to other consumer finance-related products during its first two years.

By July 2013, it had accepted complaints relating to eight products, and in April 2017 it established nine distinct product types.<sup>6</sup> The CFPB's publicly available consumer complaint database covers the period from Dec. 1, 2011, to the present.

## THE ORIGINS AND GROWTH OF CONSUMER COMPLAINTS: A RISING TIDE

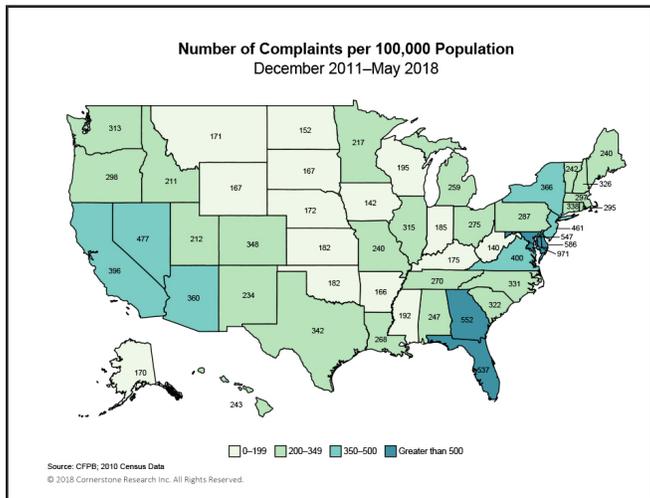
Between 2012 and 2017, the number of consumer complaints grew at an average annual rate of 28 percent. The initial increases partly resulted from the CFPB's acceptance of complaints regarding products other than credit cards and mortgages. In 2017, the growth rate doubled as compared with 2016. That growth was bolstered by complaints related to the Equifax data breach, which was announced on Sept. 7, 2017. However, even after excluding complaints against Equifax, the 21 percent increase in 2017 was still well above the 12 percent growth rate seen in 2016.

From January through May 2018 complaints remained at near-record levels, averaging approximately 23,000 per month — nearly quadruple the 6,000 per month the bureau received in 2012.



Not surprisingly, consumers in some of the most populous states are large contributors. California, Texas, New York and Florida account for 38 percent of all complaints.

The heat map below shows the number of complaints by state, as well as the District of Columbia, per 100,000 residents. Two smaller states by population, Delaware and Maryland, as well as the District of Columbia, had the highest number of complaints per capita, along with Georgia and Florida.



Each of these four states and District of Columbia averaged more than 500 complaints per 100,000 residents, with the District of Columbia’s average nearly double that at 971 complaints per 100,000.

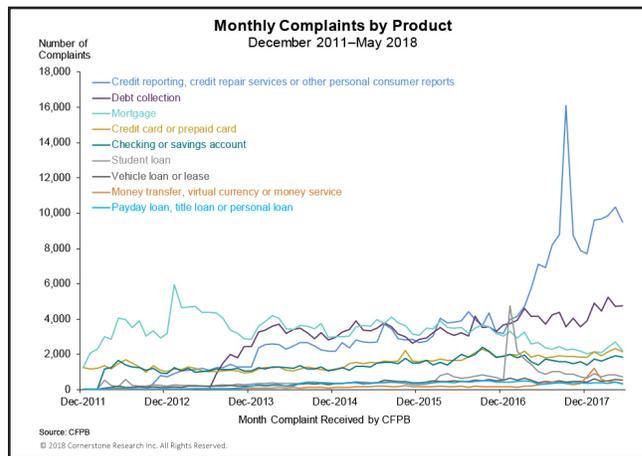
**THE RISE OF CREDIT REPORTING–RELATED COMPLAINTS**

An examination of the nature of complaints provides insight into the financial products driving the rising tide. While the distribution of complaints across products was relatively stable between 2014 and 2016, there was a marked increase in credit reporting complaints in 2017. Even when excluding complaints against Equifax this increase has continued into 2018.

Historically, most consumer complaints involved mortgage, debt collection and credit reporting products. Mortgage products accounted for almost half of all complaints between December 2011 and December 2013, even as the CFPB phased in additional product types.

Mortgages continued to be the most complained-about product between 2014 and 2016, accounting for almost 25 percent of complaints.

However, in 2017 the number of mortgage-related complaints declined by 26 percent and accounted for only 13 percent of the total number of complaints (versus 22 percent in 2016). In May 2018 mortgage-related complaints accounted for only 10 percent of total complaints.



After the CFPB began accepting debt collection complaints in July 2013, debt collection quickly became the second-most complained-about product, with the share of complaints in this area growing from 10 percent in July 2013 to 23 percent over the 2014-2016 time period.

The share of complaints against credit reporting products increased more gradually, from 13 percent in November 2012 – the month after the CFPB began accepting them – to 21 percent (making them the third-most complained-about product) from 2014 to 2016.

More recently, there has been a surge in complaints about credit reporting products. These complaints constituted the largest share of consumer complaints (averaging 39 percent) in every month since February 2017.

Following the announcement of the Equifax data breach, the number of complaints against credit reporting products increased by 83 percent in September 2017 (16,095 compared with 8,789 in August 2017).

This increase in complaints about credit reporting products remains even if complaints regarding Equifax are excluded from the statistics. That is, non-Equifax credit reporting products have been the subject of the highest number of consumer complaints in every month since May 2017, accounting for 30 percent to 37 percent of total complaints.

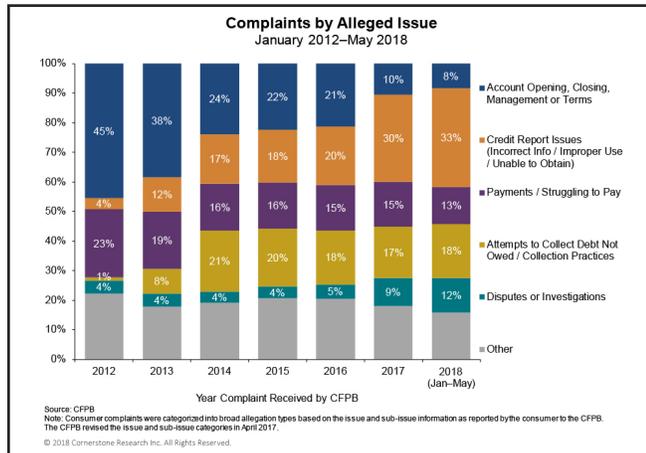
**CREDIT-REPORTING ISSUES DOMINATE**

The CFPB collects data from consumers not only about product types but also about the alleged issue and sub-issue of their complaints. There are hundreds of combinations of issues and sub-issues in the data, which vary in terms of how closely they align with the product types consumers complain about.

To analyze trends over time in the perceived underlying conduct, we distilled the reported issues and sub-issues into

broad categories. These categories combine related issues across the distinct product categories in the CFPB database.

For example, of the 36,710 complaints with allegations related to payment difficulties submitted in 2017, approximately 56 percent were categorized as mortgage; 24 percent as student loan; 6 percent as credit or prepaid card; 5 percent as checking or savings account; 4 percent as payday, title or personal loan; and 4 percent as vehicle loan or lease products.



After the CFPB completed phasing in many of its current product types in July 2013, the distribution of allegations remained relatively stable from 2014 to 2016.

Allegations related to account opening, closing, and management or terms were the most common (22 percent of all complaints over this period), followed by attempts to collect a debt not owed/collection practices (19 percent), credit reporting allegations (18 percent, including incorrect information, improper use and inability to obtain credit) and payment difficulties (16 percent).

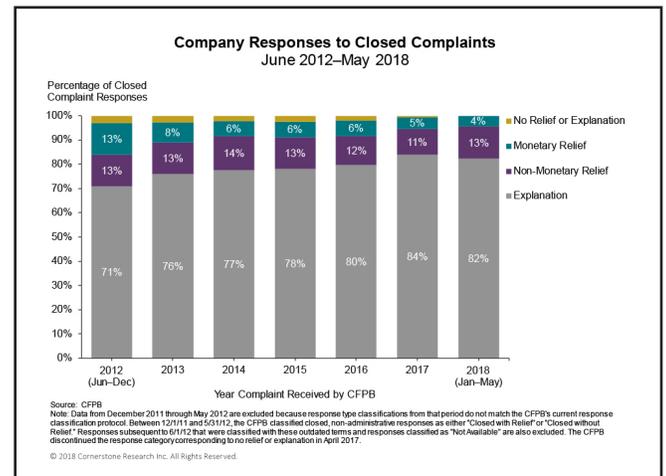
Not surprisingly, as the number of complaints related to credit reporting products surged over the last year, so did allegations related to credit reporting: 33 percent of complaints from January to May 2018 involved credit reporting-related issues. The second-most common issue over this period was attempts to collect debts not owed/collection practices (18 percent).

### COMPANY RESPONSES TO COMPLAINTS

If a company responds to a consumer’s complaint within 15 days, the CFPB considers the response “timely.”<sup>17</sup> Historically, companies responded to the vast majority (97 percent) of complaints in a timely manner. Company responses from January to May 2018 have been consistent with prior trends, with companies responding to over 98 percent of complaints.

The CFPB has closed 97 percent of 2018 complaints through May, as well as more than 99 percent of pre-2018 complaints. Since June 2012, it has reported whether closed complaints resulted in monetary relief, nonmonetary relief, an explanation or neither relief nor explanation.<sup>8</sup>

Since June 2012, over 70 percent of closed complaints in every year were closed with explanation. Closed complaints with monetary relief gradually declined, from 13 percent in 2012 to 5 percent in 2017. There was a further decline from 5 percent in 2017 to 4 percent in the period from January to May 2018, which may be due to complaints that remain pending.



The proportion of closed complaints with nonmonetary relief has stayed relatively constant, ranging between 11 percent and 14 percent. Meanwhile, the share of closed complaints with explanation has increased slightly (from 71 percent in 2012 to 82 percent in the period from January to May 2018).

In April 2017, the CFPB discontinued “closed without relief or explanation” as a response category.<sup>9</sup> Prior to being phased out, closed complaints with neither relief nor explanation accounted for an average of 3 percent of closed complaints between 2012 and 2016.

### LOOKING AHEAD

While these trends in consumer complaints may shed light on potential areas of future CFPB activity, only time – and more data – will tell how consumer complaint trends will inform the CFPB’s enforcement activity.

Although consumer complaints are on track to set a record high in 2018, thus far enforcement activity remains relatively depressed. The CFPB initiated only three actions in the first seven months of its new leadership.<sup>10</sup> By comparison, the CFPB filed 24 actions in the first half of 2017 and 16 in the first half of 2016.<sup>11</sup>

Similarly, it remains to be seen whether the recent changes within the CFPB will be followed by any changes in how companies respond to consumer complaints.

NOTES

<sup>1</sup> Consumer complaints submitted to the CFPB are not lawsuits, as one would normally interpret the term “complaint” in a legal context. Rather, they are “submissions that express dissatisfaction with, or communicate suspicion of wrongful conduct by, an identifiable entity related to a consumer’s personal experience with a financial product or service.” See, e.g., CONSUMER FIN. PROT. BUREAU, CONSUMER RESPONSE ANNUAL REPORT at 4 (2018), <https://bit.ly/2JgWIK7>.

<sup>2</sup> Mick Mulvaney, Op Ed., *The CFPB Has Pushed Its Last Envelope*, WALL ST. J. (Jan. 23, 2018), <https://on.wsj.com/2DBQIXG>.

<sup>3</sup> See, e.g., Lalita Clozel, *Trump-Controlled CFPB Issues First Fine Since Wells Fargo*, WALL ST. J. (June 13, 2018), <https://on.wsj.com/2LB9tyr>.

<sup>4</sup> Stacy Cowley, *Consumer Bureau Looks to End Public View of Complaints Database*, N.Y. TIMES (Apr. 25, 2018), <https://nyti.ms/2qX9ErG>.

<sup>5</sup> This information is derived from the CFPB’s Consumer Complaint Database, which is available at <https://bit.ly/2nGDsc7>. The analysis in this article is based on the set of complaints that were received by the CFPB by May 31 and published in the CFPB’s database as of June 28. For ease of reference, this set of complaints is referred to as the set of complaints “received” by the CFPB. However, note that the CFPB does not publish every complaint in its public database. For instance, if the consumer’s commercial relationship with a company cannot be authenticated, or the correct company cannot be identified, the CFPB will not publish the complaint. The CFPB’s publication criteria appear to have a non-trivial impact on the fraction of complaint data that is made available to the public. For example, the publicly available database contains approximately 243,000 complaints submitted in 2017; however, the CFPB reported receiving 32 percent more complaints (approximately 320,000) in its 2017 Consumer Response Annual Report, even after excluding duplicate complaints, whistleblower complaints and complaints submitted without the consumer’s authorization. For more information, see the CFPB’s 2013 Disclosure of Consumer Complaint Data: Notice of Final Policy Statement, which is available at <https://bit.ly/2mSolUuM>. See also CONSUMER FIN. PROT. BUREAU, CONSUMER RESPONSE ANNUAL REPORT at 7 (2018), <https://bit.ly/2JgWIK7>.

<sup>6</sup> See, e.g., CONSUMER FIN. PROT. BUREAU, CONSUMER RESPONSE ANNUAL REPORT at 3 (2012), <https://bit.ly/2vluKB8>; CONSUMER FIN. PROT. BUREAU, CONSUMER RESPONSE: A SNAPSHOT OF COMPLAINTS RECEIVED at 2-3 (2013), <https://bit.ly/2LZjP7y>; CONSUMER FIN. PROT. BUREAU, CONSUMER RESPONSE ANNUAL REPORT at 6 (2017), <https://bit.ly/2nlh7WZ>. The CFPB revised the categories of complaints in April 2017. For the purposes of the analyses in this commentary, the old product categories are mapped to the revised categories according to the product crosswalk document published by the CFPB. See CONSUMER FIN. PROT. BUREAU, SUMMARY OF PRODUCT AND SUB-PRODUCT CHANGES (2017), <https://bit.ly/2M2O39z>.

<sup>7</sup> If a company provides a partial response, it has 60 days to submit a complete response before the CFPB considers the response “untimely.” See, e.g., *CFPB Releases State-Level Snapshot of Consumer Complaints*, CONSUMER FIN. PROTECTION BUREAU (June 27, 2017), <https://bit.ly/2K7RBWu>; CONSUMER FIN. PROT. BUREAU, SEMI-ANNUAL REPORT OF THE BUREAU OF CONSUMER FINANCIAL PROTECTION at 20-21 (2018), <https://bit.ly/2uK7CiH>.

<sup>8</sup> Prior to June 2012, the CFPB classified closed, nonadministrative responses as either “closed with relief” or “closed without relief.” CONSUMER FIN. PROT. BUREAU, SEMI-ANNUAL REPORT OF THE CONSUMER FINANCIAL PROTECTION BUREAU at 21 (2012), <https://bit.ly/2K3VD21>.

<sup>9</sup> CONSUMER FIN. PROT. BUREAU, CONSUMER RESPONSE ANNUAL REPORT (2018), <https://bit.ly/2JgWIK7>.

<sup>10</sup> *Enforcement Actions*, CONSUMER FIN. PROTECTION BUREAU, <https://bit.ly/2Ab7Nmd>.

<sup>11</sup> See *Docket of the Office of Administrative Adjudication*, CONSUMER FIN. PROTECTION BUREAU, <https://bit.ly/2OukBer>; *Enforcement Actions*, CONSUMER FIN. PROTECTION BUREAU, <https://bit.ly/2Ab7Nmd>.

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