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Media Contact: Robyn Ziegler  
312-814-3118  
[rziegler@atg.state.il.us](mailto:rziegler@atg.state.il.us)

## **MADIGAN ANNOUNCES 2007 TOP 10 CONSUMER COMPLAINTS**

### *ID Theft Tops List of Complaints; Credit-Related Problems Place Second*

Chicago—Attorney General Lisa Madigan today announced that identity theft complaints claimed the top category on her office's Top 10 Consumer Complaint List for the second year in a row.

Madigan's Consumer Protection Division received a near-record 32,577 consumer complaints in 2007. Of those complaints, 6,388, or 20 percent, were related to identity theft.

"It's clear from these numbers that identity theft continues to be a major problem for Illinois consumers," Madigan said. "And for that reason, preventing identity theft and assisting victims of this crime will continue to be a priority of my office."

Two years ago, Madigan launched the Illinois Identity Theft Hotline, the first hotline in the nation with a dedicated staff of advocates and attorneys providing direct assistance to victims of identity theft.

Although the majority of calls to the hotline came from victims seeking assistance in restoring their good names and credit records, Madigan noted that her office also fielded a large number of calls from consumers wishing to take preventative measures to safeguard their identities. Many of these consumers contacted the hotline after receiving a breach notice in the mail.

Under a state law in effect since 2006, businesses and government agencies that collect and store personal data are required to send notices to affected consumers when a breach of security places those consumers' personal information at risk. Of the 6,388 identity theft-related complaints Madigan's office received last year, 1,088 were in response to security breaches.

Illinois was one of the first states in the nation to pass legislation in response to a series of major security breaches that happened in recent years. The Privacy Rights Clearinghouse estimates that more than 218 million personal records have been breached since it began compiling statistics in 2005. In 2007, U.S. consumers experienced several notable breaches, including a report from TJX Companies in January of a breach of credit card and transaction records affecting as many as 100 million consumer accounts.

Madigan, who was a leading proponent of Illinois' security breach law, sees the high number of hotline calls from breach notice recipients as evidence that the

law is raising awareness among consumers and businesses alike.

“Illinoisans who receive breach notices are taking proactive measures to minimize the risk to their identities,” said Madigan. “Even consumers who don’t receive a notice but simply hear about a breach on the news are calling our hotline to learn what they can do to take greater control of their personal information.”

When Madigan’s office receives these calls, hotline advocates help consumers to take steps to protect their credit records, including placing a security freeze on their credit reports—an option available under a 2006 state law that Madigan advocated.

### **Credit and Collection Complaints**

The economic downturn and rising number of home foreclosures pushed complaints related to credit and financial services to the second spot on the Attorney General’s Top 10 list, with 5,267 consumers reporting these problems.

Problems with collection agencies topped the credit category at 2,231 complaints. These complaints included allegations that agencies refused to verify that a consumer owed the debt, even though collectors are legally required to substantiate debts at the consumer’s request. Other consumers complained of agencies failing to properly identify the debtor, resulting in efforts to collect a debt from the wrong person. In addition, many consumers reported instances of abusive collection practices, such as agencies making calls to a consumer’s work place or at inappropriate times, or using threatening language when talking to consumers.

### **Mortgage and Lending Practices**

As the housing market continued to collapse, Madigan’s office also saw a rise in mortgage-related complaints, receiving 900 complaints in 2007, a 22 percent increase from 2006. The nature of many of these complaints mirrored a recent report from Madigan’s office that found that the burgeoning mortgage crisis is due largely to weak or non-existent underwriting standards in the lending industry, coupled with high levels of fraud at the time the loan documents are completed.

“With so many homeowners now paying the price for years of lax lending standards, it’s very troubling but not surprising that we are seeing an increase in calls for help from Illinoisans who are struggling to pay their mortgages,” said Madigan.

“As much as the mortgage industry would like to blame homeowners for the foreclosure crisis,” Madigan added, “we know from struggling homeowners who contact us that this crisis was driven by greedy lenders who resorted to any means necessary to place borrowers into loans they had no hope of repaying.”

Madigan’s response to the mortgage crisis has been comprehensive. In the last legislative session, she drafted and worked with state Senator Jacqueline Collins to pass the Illinois Homeownership Preservation Act, a law imposing

tougher duties on mortgage lenders and brokers, including a duty to verify a borrower's ability to repay a home loan before completing the transaction.

Madigan also has filed 11 lawsuits against mortgage rescuers for allegedly engaging in illegal practices to drain the equity from Illinois homeowners facing foreclosure. Additionally, the Attorney General has launched an investigation into the lending practices of the nation's largest mortgage lender, Countrywide, and has sued mortgage brokers for allegedly lying to borrowers to get them into homes they could not afford.

Promotional scams, such as pyramid schemes or foreign lottery scams, ranked third in 2007, at 3,168 complaints, pushing the construction and home repair category out of the top three for the first time since 1984. Construction and home repair complaints ranked fourth in 2007, with 2,714 complaints.

Over the course of 2007, Madigan's Consumer Protection Division recovered more than \$14 million through mediation and \$1.2 million in litigation savings, resulting in more than \$15 million in savings returned to Illinois consumers.

### *Breakdown of Identity Theft Complaints*

Broken down by type, the complaints to Madigan's office concerning identity theft demonstrate the range of issues confronting victims of this rapidly-growing fraud. Specifically, the ID theft consumer complaints involved:

- **Credit cards (1,602 complaints)**, including reports of the takeover of an existing credit card account by a thief and also instances of a thief opening a new credit card account in the name of an ID theft victim;
- **Data breaches (1,088)**, in which personal information has been compromised due to a security breach;
- **Phone, internet and utility company complaints (638)**, concerning fraudulent wireless or landline phone, Internet, gas, electric and water accounts opened in the ID theft victim's name;
- **Bank fraud complaints (383)**, including complaints regarding stolen checks, new bank accounts opened in an ID theft victim's name and fraudulent withdrawals of money from victims' bank accounts; and
- **Employment (279)**, in which a thief uses a victim's social security number to obtain employment.

### *Breakdown of Credit and Financial Services Complaints*

In addition to the 2,231 complaints against collection agencies, other credit and financial services-related complaints to Madigan's office involved:

- **Credit cards (1,014)**, including complaints about unauthorized membership club charges appearing on credit card accounts, balance transfer and introductory rate problems, higher interest rates than expected and unexpected fees;
- **Residential and mortgage lending (911)**, concerning reports of lenders lying to homeowners to put them into loans they could not afford, complaints against mortgage rescue businesses for misleading homeowners facing foreclosure and disputes about escrow accounts;
- **Finance and loan companies (385)**, featuring complaints that sellers of consumer installment loans (a product similar to payday loans)

misrepresented or failed to disclose the high costs and fees of their products; and

- **Banks and financial institutions (286)**, including complaints about high late fees, unauthorized withdrawals due to fraud, and overdrafts caused by banking errors.

**The Top 10 consumer complaints for 2007 are as follows (the figures listed below do not reflect all of the complaints):**

CATEGORY	# OF COMPLAINTS
<b>1. Identity Theft</b>	<b>6,388</b>
<b>2. Credit/Financial Services</b>	<b>5,267</b>
<b>3. Promotions &amp; Schemes</b>	<b>3,168</b>
<b>4. Construction/Home Improvement</b>	<b>2,714</b>
<b>5. Telecommunications</b>	<b>2,537</b>
<b>6. Motor Vehicles/Used Auto Sales</b>	<b>1,487</b>
<b>7. Mail Order</b>	<b>1,390</b>
<b>8. Utilities</b>	<b>908</b>
<b>9. Motor Vehicle/Non-Warranty Repair</b>	<b>748</b>
<b>10. Fraud Against Business</b>	<b>722</b>

For information on all consumer issues, consumers can visit Madigan's Web site at [www.illinoisattorneygeneral.gov](http://www.illinoisattorneygeneral.gov) or call one of the Consumer Fraud Hotlines or the Identity Theft Hotline at the numbers listed below.

**Chicago Consumer Fraud Hotline: 1-800-386-5438**

**Springfield Consumer Fraud Hotline: 1-800-243-0618**

**Carbondale Consumer Fraud Hotline: 1-800-243-0607**

**Spanish Language Hotline: 1-866-310-8398**

**Identity Theft Hotline: 1-866-999-5630**

**Homeowners' Referral Helpline: 1-866-544-7151**

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