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THE NEIGHBORHOOD OFFICES OF THE LAW ENFORCEMENT
DIVISION OF THE DEPARTMENT OF CONSUMER AFFAIRS:
THE FINAL REPORT

by David Caplovitz and Steven Cohen

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This, the final report, represents an updating and extension of the semi-annual report that appeared in June of 1971. As that report noted, the neighborhood offices of the Department of Consumer Affairs were made possible by a grant from the Law Enforcement Assistance Administration of the Justice Department to assist the Department of Consumer Affairs in its battle against a major kind of white collar crime: consumer fraud. The DCA declared war on consumer fraud by having the City Counsel of New York pass the Consumer Protection Act in 1969 and then creating a law enforcement division staffed by lawyers assisted by consumer investigators to enforce the sweeping provisions of this act. In the two years of its existence, the Law Enforcement Division has carried out a number of major investigations resulting in Assurances of Discontinuance from a broad range of unethical merchants and has promulgated a number of regulations that protect consumers from unscrupulous practices.

The neighborhood offices, established on an experimental basis, were intended to further the objectives of the Law Enforcement Division of the Department by reaching into local communities, making it easier for consumers to register their complaints. This type of local agency

was particularly needed in low-income areas where the residents are not apt to have the wherewithal to register their grievances with impersonal, bureaucratic agencies, such as the headquarters of the Department of Consumer Affairs at 80 Lafayette Street. In planning the decentralized program, the D.C.A. wanted to know whether consumer fraud was primarily a low-income problem or whether its victims included middle class persons as well and, if so, did the middle class need to be served by a local complaint center. Thus two local offices were established, one on the Lower East Side of New York, a low-income community, and one in Forest Hills, a middle class community. Both the earlier report and this one compare the two offices in a number of respects. But even before this final accounting of the first year appears, the experiences of those involved in the program convinced them that the office in the middle class community of Forest Hills could be manned by a single consumer specialist assisted by volunteers and that the energies of a full-time attorney and the other consumer specialists would best be served by developing a Complaint Center in a lower income neighborhood. Thus, they are in the process of moving the main force of the Forest Hills office to a working class, predominantly black section of Queens, Jamaica.

The format of this report is much like the earlier one. In the first section we summarize the overall activities of the two offices; the second section presents a more detailed statistical analysis of the complaints filed at each office. This is then followed with an account of the major investigations carried out by these local offices. This section presents the outcome of the investigations referred to in the earlier report as well as the major investigations that have been initiated since

then. The June report presented a rather bleak account of the efforts of the local offices to interest district attorneys in prosecuting the perpetrators of particularly flagrant white collar crimes. This theme is updated in section four of this report. Section five represents a departure from the earlier format in that it discusses some of the unexpected functions performed by the local offices, a theme that emerged clearly only as the year progressed. The final section of the report outlines recommendations based on our observations for making the work of these decentralized offices even more effective.

The Activities of the Local Offices: An Overview

During 1971, the two offices combined docketed some 2,578 complaints. The Forest Hills office handled many more cases than the Lower East Side office, 1,665 docketed complaints compared with 913. This finding no doubt reflects the greater assertiveness of the middle class complainant, compared with his lower class counterpart, his greater readiness to complain and seek justice when he feels he has been wronged and his greater knowledge of how to do so. The sharp difference in case load could hardly reflect middle class people's greater vulnerability to fraud. On the contrary, from everything that is known, the poor are more vulnerable to fraud and hence the smaller number of docketed complaints would suggest that the need of poor consumers is being less well met than that of middle class consumers of the Forest Hills type.

Still another factor that helps explain the greater case load in the Forest Hills office is what, in the first report, we referred to as the lower threshold of the middle class consumer. He is apt to complain

about even small abuses, whereas his low income counterpart is apt to shrug his shoulders and not pursue the matter. There is one telling difference between the experiences of the two offices that bears out this view. In each office records were kept of the number of complaints that were either irrelevant to the mission of the offices or were better handled by other agencies. Rather than being docketed these complaints were immediately referred to some other agency. On the Lower East Side there were 800 such referrals or somewhat fewer than the number of docketed complaints (913). But in Forest Hills the pattern is substantially reversed. Many more cases were referred than were docketed. In fact for every docketed case there were almost three irrelevant complaints. Thus in contrast with 1,665 docketed cases, the Forest Hills office immediately referred 4,086 complaints elsewhere. This deluge of complaints, most of which were irrelevant, might well have contributed to the Forest Hills office developing a more flexible policy about what was a legitimate complaint, worth docketing. Nonetheless, substantially more people turned to the Forest Hills office for help than to the Lower East Side office, whether they had a legitimate complaint or not. And yet, the experience of those running the Forest Hills office was that most of these complaints were isolated incidents of consumer dissatisfaction rather than representing a pattern of fraud and therefore could be handled by a consumer specialist assisted by volunteers.

That there is much merit to this view is suggested by the statistics bearing on major investigations. Although Forest Hills docketed almost twice as many cases as the Lower East Side, it initiated fewer major investigations, 18 compared with 21, and it obtained fewer

assurances of discontinuance, 7 compared with 10. These statistics are summarized in Table 1.

Table 1

Attributes of Major Investigations: Lower East
Side Compared with Forest Hills (Raw Numbers)

	<u>Lower East Side</u>	<u>Forest Hills</u>
Investigations Initiated	21	18
Subpoenas Issued	28	20
Hearings Held	20	17
Assurances of Discontinuance	10	7

Proportionate to the number of cases docketed, it is clear that the Lower East Side Complaint Center was more likely to get involved with major investigations and pursue them to successful conclusions. This is hardly surprising, for earlier research has shown that the poor are especially vulnerable to consumer fraud and that unscrupulous businessmen prey mainly on the lower income groups. Later on these major investigations in each office will be reviewed.

Outcome of Docketed Cases

So far we have seen that Forest Hills had many more docketed complaints in 1971 than did the Lower East Side Office. What were the outcomes of these cases? How many were resolved in some fashion and what were the rates of successful resolutions for each office? Perhaps because of its lower case load, the Lower East Side closed out a higher proportion of its cases by the end of the year, 78 per cent (708 of 913) than did the Forest Hills office, 62 per cent (1,036 of 1,665). (It is conceivable

that this difference also reflects differences in bookkeeping practices. The Lower East Side office may have been more diligent in reviewing its backlog of cases.) More relevant for our present purposes are the outcomes of the cases that were resolved. Table 2 shows that the two offices had virtually identical resolution records. In both offices the rate of successful resolutions is quite high and the rate of failure extremely low. This can be seen from Table 2.

Table 2

Resolution of Closed Cases by Office

<u>Outcome</u>	<u>Lower East Side</u>	<u>Forest Hills</u>
Client Helped Directly:		
Monetary Benefit (refund: debt cancellation)	38%	41%
Non-Monetary Service	42	38
	<hr/> 80%	<hr/> 79%
Referred to Other Agency	8%	8%
Complaint Unfounded	9	10
Unsuccessful	3	3
	<hr/> 100%	<hr/> 100%
	(708)	(1,036)*

*The Forest Hills office did not calculate resolutions in the same way as the Lower East Side and therefore these figures are based on sample of cases (the sample reported in the next section). The N reported here is for all the resolved cases in Forest Hills when in fact the subsample on which the reported figures is based is substantially smaller.

The Forest Hills office was slightly more likely to provide the client with a monetary benefit in the form of a refund or debt cancellation

(41 per cent compared with 38 per cent) and the Lower East Side office was slightly more successful in getting its clients nonmonetary benefits, such as goods delivered or repairs made (42 per cent vs. 38 per cent). In all, both offices directly solved the problem of four out of every five clients whose cases were closed. In eight per cent of the cases in each office a referral was made to some other agency after the case was docketed. As more facts developed or upon further reflection, it was felt that these cases could be better handled by some other agency. In approximately 10 per cent of the cases in each office, further investigation disclosed that the case was unfounded. Only three per cent of the cases closed out in each office represent failure in that the complaint was valid but the local office could do nothing for the client. Most of these failures are cases in which the merchant against whom the complaint was registered either went bankrupt or absconded.

There is some value in comparing the results of Table 2 which refer to the entire year, with those presented in the comparable table based on the first five months. The earlier report showed that only 64 per cent of closed Forest Hills cases and 75 per cent of closed Lower East Side cases resulted in the client being helped directly, compared with the 80 per cent rates reported here. The unsuccessful rate was slightly higher during the first five month period (5 per cent in Forest Hills and 4 per cent in Lower East Side). Even more significantly both offices, especially Forest Hills, had higher rates of unfounded complaints (16 per cent for Forest Hills and 12 per cent for Lower East Side). During the first five months the Forest Hills office had a substantially

higher rate of referrals (15 per cent) than the yearly rate of eight per cent. Since the yearly figures presented in Table 2 above included the figures for the first five months, it is obvious that these offices became much more effective and efficient as time went by. As their experience increased, the offices were better able to screen out complaints that were unfounded, felt less need to refer docketed clients to other agencies, and became much more effective in resolving the complainant's problem.

Restitution and Cancellations

During the first five months both local offices were responsible for restitutions and debt cancellations totalling \$45,755. By the end of the year this figure had more than tripled, reaching a total of \$173,325 for both offices, yet another mark of the greater effectiveness of the offices over time. Not surprisingly, Forest Hills, with its greater case load, accounted for more of the total, \$104,601, than the Lower East Side, \$68,724. But when these figures are adjusted for the number of monetary settlements carried out in each office, the difference between Forest Hills and Lower East Side disappears. Thus the average monetary settlement in Forest Hills amounted to \$254; ^{41 (2566)} on the Lower East Side, the average was virtually identical, \$257. ^{267 (294)} Thus the consumer with a financial grievance against some seller stood to save a good deal of money by enlisting the aid of the local office. The Forest Hills total includes refunds and savings of \$17,867 for a large number of complainants who got entangled with a kitchen remodeling firm that went out of business and whose successor agreed to make refunds and cancel contracts in that

amount. Were it not for this one dramatic case, the average saving to the Lower East Side consumer would have been noticeably greater than the average in Forest Hills. Moreover, given their greater poverty, the same dollar saving has much more significance to those on the Lower East Side.

We move now from this overview of the work of the two offices during their first year to a closer examination of the types of complaints that they handled.

A Statistical Analysis of Complaints

The plan for the evaluation of the decentralized offices called for the transmission of copies of each docketed complaint and each resolution, where one occurred, to the evaluators so that information about these complaints could be processed for IBM tabulation. The time involved in coding the information on the complaint forms, the key punching of IBM cards, correcting errors, and finally obtaining tabulations was such that in order to have results in time for this report, we had to establish a cut-off date some months before the end of the year. We ended up processing cases through the month of September. Omitting October, November and December, reduces the number of docketed Lower East Side cases to 729 and the number in Forest Hills to 1,314, for a total of 2,043. Unfortunately, a number of intake forms, for a variety of accidental reasons, never reached the evaluators. Extended lines of communication and turnover in personnel in both the local offices and the research team resulted in some slippage. Of the docketed Lower East Side cases through September, 82 per cent were processed for IBM tabulations. For Forest Hills, the figure is 71 per cent and for both offices combined it is 75 per cent.

In short, we have a 75 per cent sample of the total population of docketed cases through September and as far as we can tell, the omissions happened at random. The most reasonable assumption is that our large sample is representative of the whole. (For example, the tabulated cases show up for each month in roughly the same proportion as the total cases docketed in that month.) The chief purpose of this section is to compare the two offices on the limited amount of information that we have on the complaints and their resolutions.

Location of Clients and Method of Contact

The intake form asked for the address of the complainant and we might assume that all the complainants lived in the area served by the local office. For the Forest Hills office this assumption holds as 92 per cent of the complainants lived in Queens and most of the remainder came from Brooklyn. But a peculiarity of the Lower East Side office made it serve a much broader constituency than simply the Lower East Side. Only 60 per cent of its clients resided in the area and 40 per cent came from other sections of the city. The reason for this is that the Lower East Side office was staffed with Spanish-speaking consumer specialists and it soon became the agency to which all Spanish-speaking complainants were referred, even those who initially complained to the central office of the Department of Consumer Affairs. With the recent opening of the East Harlem complaint center (under a model cities grant) the burden of serving Spanish-speaking clients is now being eased as the East Harlem office, with its Spanish-speaking consumer specialists, handles Puerto Rican clients from the East Bronx and upper Manhattan areas.

The intake interviewer was required to record the method of contact, that is whether the complainant walked into the office, phoned in his complaint or wrote a letter of complaint. To these must be added a fourth category of "Other" which refers chiefly to referrals from other agencies. For example, the complaint bureaus of the various District Attorney offices welcomed the appearance of these local offices for they could refer persons with consumer complaints to them. The Better Business Bureau and the Attorney General's office were also frequent sources of referrals.

Table 3

How Client Came in Touch with Offices

<u>Method of Contact</u>	<u>Lower East Side</u>	<u>Forest Hills</u>
Walk-In	59%	31%
Phone	12	42
Mail	13	9
Other (chiefly referrals)	17	18
	<hr/> 100%	<hr/> 100%
N	(595)	(930)

The Forest Hills complainants were much more likely to phone in their complaints whereas those on the Lower East Side were much more likely to appear in person at their own initiative. This difference of course is in keeping with the class differences between the two sets of clients. The telephone is much more part of the middle class than lower class style of life. No doubt a number of the Lower East Side clients do not even have a telephone.

Object of the Complaint (Type of
Merchant) by Office

Differences in income are reflected in differences in consumption patterns. The more well-to-do Forest Hills residents, for example, can afford to be home owners and owners of automobiles, and as Table 4 shows, complaints against home improvement contractors and industries related to automobiles were much more frequent in Forest Hills than on the Lower East Side. In establishing categories for classifying offenders it was necessary to do a considerable amount of grouping. All types of sellers accounting for fewer than four per cent of the cases were grouped into an "All Other" category and so varied were the parties against whom complaints were registered that this "All Other" group is by far the largest. Mainly because of the substantial number of Lower East Side complaints against furniture stores, they show up as the second largest category in the table. A flavor for the kinds of merchants grouped under each heading is provided by the examples given in parentheses.

The "All Other" category is a catch-all for a myriad of types of firms. Included here are complaints against utility firms (3 per cent), most of which had to do with protest about overcharging; complaints against financial institutions, banks and small loan companies (4 per cent), usually because these firms were resorting to harassment to collect debts, and the following categories, none of which exceeded 2 per cent in frequency: printing-related places, such as printers of greeting cards and bookbinders; eating and drinking establishments; hotels and other lodging places; amusement and recreational facilities (e.g. bowling alleys, dance halls, racetracks, pool halls); complaints against the providers of medical

Table 4

Object of Complaint by Type of Office

<u>Type of Firm</u>	<u>Lower East Side</u>	<u>Forest Hills</u>	<u>Total</u>
<u>Home Improvement</u> (Includes plumbers, electricians, storm window firms, etc.)	1%	13%	8%
<u>Auto Dealers and Auto Service Companies</u> (Used and new car dealers, repair shops, accessory dealers, garages, parking lots, etc.)	4	13	9
<u>Other Repairs and Services</u> (Mainly TV repairs, but repairs for other appliances and furniture as well, including some watch repairs)	5	9	8
<u>Shipping and Travel</u> (Travel agencies, moving and shipping firms)	10	2	5
<u>Educational Services</u> (Vocational training, correspondence schools, language schools)	10	2	5
<u>Department Stores</u>	2	7	5
<u>Furniture Stores</u>	20	8	12
<u>Home Appliances-Floor Covering</u> (Also includes other home furnishings, e.g. draperies, but mainly TV, refrig- erators, etc.)	9	10	10
<u>Other Retail Stores</u> (Food stores, drug stores, clothing, stationery, books, cameras, etc. Usually, but not always, sellers of inexpensive items)	11	7	8
<u>All Other</u> (See text for description)	29	29	29
	101%	100%	99%
	N (595)	(930)	(1,525)

services, physicians, hospitals, veterinarian hospitals; complaints against other professionals (e.g. lawyers, accountants, engineers); complaints against nonprofit organizations, usually some form of charity, soliciting funds (one per cent); and even complaints involving disputes between neighbors over damages to one another's property (again about one per cent of the complaints). The model underlying the inventory of complaints presented in Table 4 is that of a consumer dealing with some seller or supplier. But the neighborhood offices were also used by some small businessmen who had complaints against the parties supplying them with goods and services. Thus three per cent of all the complaints were against wholesalers and another two per cent were directed at providers of such diverse business services as advertising agencies, business consulting firms, and commercial window cleaners. In all, perhaps as many as one out of every 20 complainants was a small businessman with a complaint against a firm with whom he did business. It must be admitted that there is some ambiguity here, because the intake form did not call for differentiating the consumer complainant from the businessman complainant. This will be one of the many changes based on experience that will be made in the intake forms during the second year.

This accounting of the large miscellaneous category provides some idea of the incredible range of complaints that were docketed by the local offices. Returning to the patterns shown in Table 4, home improvement firms and firms in the automobile category were the largest categories in Forest Hills, each containing 13 per cent of the complaints, whereas on the Lower East Side where there are few home owners and relatively few car owners, complaints against such firms were much less frequent. The

problems of Lower East Side consumers apparently stem from furniture stores, as 20 per cent of the complaints there were directed against these firms compared with eight per cent in Forest Hills. For the low-income person, furniture is an essential even though costly expense, and ghetto furniture merchants are notorious for their sharp practices and the shoddy quality of their merchandise. Three other differences between the two offices shown in Table 4 are quite striking. Hardly any Lower East Side complaints are against department stores, whereas some seven per cent of the Forest Hills complaints are against such firms. This confirms earlier research that indicated that the poor have relatively narrow shopping scopes and do not typically deal with large downtown department stores, whereas the middle class do frequent such stores.

Of particular significance are the patterns shown for Shipping and Travel and Educational Services. The middle class person is more likely to be a traveler and to make long distance moves than the lower class person. Why then are 10 per cent of the Lower East Side complaints against this group of industries and hardly any in Forest Hills? The answer lies in the large number of Puerto Rican clients in the Lower East Side office, who not only travel back and forth to Puerto Rico but also ship goods from the States to their island homeland. In the earlier report, we saw that a major investigation of the Lower East Side office was against a firm that presumably ships goods between New York and Puerto Rico but either fails to make delivery or damages the goods in transit. Complaints such as these, as well as those against travel agencies (the Lower East Side office also took action against a fraudulent firm involved in charter flights to Europe, which added some cases to this category), account

for the relatively large number of Lower East Side complaints in the shipping and travel category.

The remaining category showing a sharp difference between the Lower East Side and Forest Hills consists of educational services. Included here are particularly unscrupulous firms that prey on the poor, the uneducated and those lacking in job skills. All sorts of "schools" that fail to meet educational standards advertise to these groups a variety of job training courses, e.g. training in IBM technology, and geared especially to the Spanish-speaking market, courses in English. Those who respond to these ads usually find that they must sign contracts for a long and costly series of lessons. When they find themselves dissatisfied and want to drop out of the courses, they learn to their dismay of the binding quality of installment contracts, including those that cover services still to be delivered as well as merchandise. The frequency of these complaints on the Lower East Side call attention to a need to revise consumer contract law to make a distinction between contracts for goods and contracts for services to be delivered in the future.*

Type of Complaint

The range of complaints was just as great as the range of firms against which complaints were registered and again it was necessary to group related themes into more abstract categories. For example, the most frequent complaint in both offices referred to a defective product. This category also includes complaints about defective installations. Moreover,

*The Department of Consumer Affairs, in its regulation 16, has tried to come to grips with this problem. See section five of this report.

the client sometimes had more than one complaint to register against the firm with whom he had done business. Quite typical of these multiple complaints would be the charge of a defective product combined with the seller's refusal to fix it. This kind of a complaint would be coded in two different categories, "defective product" and "refusal to fix or exchange." Because of this possibility of multiple complaints, the total number of complaints exceeds the total number of cases; in the aggregate, complaints total 127 per cent. The distribution of complaints in each office can be seen from Table 5.

Far in front in these ten categories of complaints are those referring to defective products. Twenty-six per cent of the clients of each office registered such complaints. The striking finding is that these complaints were almost as frequent in Forest Hills as on the Lower East Side. Were they limited to the Lower East Side then one could blame the shoddy merchandise that seems intrinsic to the low-income marketplace. But that the Forest Hills complainants also complained about defective products to almost the same extent gives a rather different perspective on the marketplace. True, the poor are especially vulnerable to defective products but the well-to-do are by no means immune from faulty merchandise. To the extent that this is true then the manufacturers rather than the retailers must bear the burden of consumer dissatisfaction. Thus one value of having included a middle class community in the demonstration project is to show that consumer complaints about defective merchandise are by no means limited to poor communities. Even more respectable sellers than those who typically are located in low-income areas sell products that generate consumer dissatisfaction because of their defects. Consumer

Table 5

Nature of Complaints by Office

<u>Type of Complaint</u>	<u>Lower East Side</u>	<u>Forest Hills</u>	<u>Total</u>
1. <u>Defective Product</u> (Includes defective installation) . . .	27%	25%	26%
2. <u>Price Problems</u> (Incorrect billing, overcharge, unfair charge, deceptive pricing) . . .	20	18	19
3. <u>Delivery Problems</u> (Delayed delivery and delivery of wrong merchandise).	19	13	16
4. <u>Refusal to Refund or Credit a Return.</u> . .	14	13	14
5. <u>Defective Service and Repair.</u>	11	15	13
6. <u>Delay of Service and Repair</u>	2	15	9
7. <u>Refusal to Fix or Exchange.</u>	8	4	6
8. <u>Misrepresentation</u> (False advertising, packaging, false warranties, guarantees, etc.)	9	12	11
9. <u>Contractual Problems</u> (Absence of cancellation card in home sales; failure to cancel contract for services; truth in lending violations; illegal contract provisions; failure to give debtor copy of contract, etc.)	14	7	9
10. <u>Collection and Harassment Problems.</u> . .	3	4	4
	127%	126%	127%
	N (595)	(930)	(1,525)

protection, as this finding indicates, involves much more than policing shady sellers. Eventually, the consumer movement must confront the manufacturers and establish standards of quality for manufactured goods.

The second and third most frequent complaints, "Price Problems" and "Delivery Problems" do reflect more on the retailer than on the manufacturer and it is noteworthy that such complaints, while fairly common in both communities, were more prevalent in the low income Lower East Side than in the middle class Forest Hills. Price and delivery complaints add up to 39 per cent of the Lower East Side complaints compared with 28 per cent of the Forest Hills complaints. In fourth place on the complaint list for both offices combined is a type of complaint closely related to defective merchandise, the refusal of the retailer to refund the consumer for merchandise returned or to credit him for the returned item. There is virtually no difference between the two areas in such complaints as they account for 14 per cent of the Lower East Side complaints and 13 per cent of those in Forest Hills.

Categories 5, 6 and 7 in terms of frequency also refer indirectly to faulty merchandise, although the specific complaints concern the failure of the seller to provide adequate service and repairs on purchases. In the most common of these categories, appearing in 14 per cent of the complaints, the consumers complain about defective repairs and services. Since the Department of Consumer Affairs has exposed a wide range of disreputable repair outfits (including one TV repair concern which figured in a major investigation that is referred to later), these kinds of complaints probably reflect less on the manufacturer than on unscrupulous repair firms that are able to operate in the absence of close licensing and control by fiduciary agencies. In fact, several reputable repairmen have complained to the Department of Consumer Affairs that their businesses have suffered because of the public image created by their fraudulent

counterparts. Some have even demanded governmental licensing of the industry to weed out the dishonest repairmen.

Categories 5 and 6, accounting for 13 per cent of the Lower East Side complaints and fully 30 per cent of the Forest Hills complaints, probably point to repair firms rather than to the original seller (although furniture stores often take responsibility for repairing damaged furniture), but category 7, "refusal to fix or exchange," seems to apply to the seller rather than some third party. And here we see that the low-income clients of the Lower East Side were twice as likely to have such a complaint (eight per cent compared with four per cent).

The much greater frequency of Forest Hills complaints with respect to defective service and delayed service (30 per cent compared with 13 per cent) suggests several things. First, the more affluent Forest Hills residents are more likely to own appliances that require service. Second, they are better able to pay for the repair of defective appliances and hence are more likely to want to restore defective goods to full utility than are low-income persons. Of particular interest is the gap between the two offices in the sixth type of complaint, delay of service and repair. Some 15 per cent of the Forest Hills complaints fell into this category compared with two per cent of the Lower East Side complaints. This might well indicate the higher expectations and demands made by the middle class than the lower class. To have a repair take much longer than predicted is apt to be more offensive to the middle-class person whose life is more orderly and time-bound than to the lower-class person who is trained to expect the unexpected contingencies of life. "Misrepresentation," a category that covers false advertising and false warranties and

guarantees, is almost as prevalent a complaint on the Lower East Side as in Forest Hills, and in both communities accounts for about one in every ten of the complaints. Category 9, dealing with consumer debt problems embodied in contracts, shows up twice as often on the Lower East Side as in Forest Hills. As can be seen from the description of this category, it touches on the more unscrupulous practices employed by installment sellers, typically the door-to-door salesmen. Included here are complaints about the failure of the seller to provide the three-day cancellation card in home sales and the failure of the seller to fill in all the blanks on the contract and give the consumer a copy of the contract at the time of the sale. All these practices are illegal according to the law of New York State. But it is of some interest as to how the victims of these practices came to know that they were illegal and thus reported them to the local office. We have already noted that more than one complaint was registered in about a quarter of the cases. Our guess concerning category 9 is that these complaints emerged as much from the consumer specialist conducting the interview as from the complainant who entered the office. But speculation aside, it is clear from these figures that consumer credit and the document that symbolizes it--the contract--is a fairly common source of consumer grievance in a low-income community such as the Lower East Side, affecting one out of every seven complainants, and it is by no means unknown in a middle-class area such as Forest Hills, where seven per cent of the complainants registered such a complaint.

To summarize, Table 5 shows that in both communities complaints dealt mostly with defective products, delivery failures and service and repair failures. That the middle-class community of Forest Hills had

almost as many complaints about defective merchandise and delivery failures even though they were much more likely than the Lower East Side clients to deal with more reputable stores such as department stores suggests that faulty products and faulty service are no longer restricted to the ghettos and low-income communities. They affect middle-class communities as well. Retailers in America may well be experiencing a crisis in recruiting quality personnel which in turn would lead to a deterioration of services. And the manufacturers of America may well be under pressures whereby they can no longer guarantee quality goods to their more affluent clientele. It is in such data as shown in Table 5 that we find the thrust of the consumer movement that has developed in America over the past decade.

Type of Complaint by Type of Offender

It is of some interest to see what kinds of complaints were registered against what kinds of firms. For the purposes of this analysis we group the complaints of the two offices. To simplify the analysis, we shall present the three most frequent types of complaints lodged against the different types of firms. And since the "other" category is so miscellaneous, it is omitted from Table 6.

In every instance the three most frequent complaints account for the great majority of complaints against the seller or dealer. For the various firms grouped under other retail, the concentration is least, as the top three complaints add to 66 per cent; a similarly "low" level of concentration is found for the firms grouped under automobile industry as the top three complaints here total 69 per cent. In the other categories



Table 6

The Three Most Frequent Complaints Lodged
Against Various Types of Firms

<u>Type of Complaint</u>	<u>Type of Firm</u>								
	<u>Home Improve- ment</u>	<u>Auto Indus- tries</u>	<u>Other Repair</u>	<u>Ship- ping and Travel</u>	<u>Edu- cational Services</u>	<u>Depart- ment Stores</u>	<u>Furni- ture Stores</u>	<u>Home Appli- ances</u>	<u>Other Retail</u>
Defective Products	35%	24%				43%	42%	45%	16%
Price Problems		23%	21%	25%	23%	16%			
Refusal to Refund or Credit				22%		22%	18%	16%	19%
Delivery Problems				34%			28%		31%
Defective Service or Repair	19%	22%	49%						
Delay in Service or Repair	38%		13%					18%	
Misrepresentation					27%				
Contract Problems					35%				

of dealers the top three complaints total at least 80 per cent and sometimes 90 per cent.* Complaints about defective products show up among the top three for each type of dealer engaged in the sale of products as distinct from services. Thus only repair shops, shipping and travel and educational services escape this type of complaint with any frequency. More than 40 per cent of the complaints against department stores, furniture stores and appliance stores involve defective products.

Price problems appear as a frequent complaint against five of the nine types of dealers shown in Table 6. Home improvement firms, furniture and appliance stores and other retailers escape having many price complaints. Refusal to refund or credit the consumer for returning an item also shows up as a frequent complaint against five types of firms. Delivery problems, defective services and repairs and delay in services and repairs show up as frequent complaints against three types of sellers and two types of frequent complaints are limited to but a single type of firm, those in educational services business. These firms are frequently accused of misrepresentation and they also are involved heavily in contractual problems, typically because consumers want to get out of contracts for services undelivered.

The traditional retailers, department stores, furniture stores, appliance stores and miscellaneous retailers, have similar profiles of complaints, defective products and refusal to refund or credit appearing in all four instances. It should be noted that these complaints often involve the same incident. The consumer complains about a defective product, seeks

*It must be remembered that in some instances more than one complaint was reported with the result that total complaints exceed 100%. Thus these measures of concentration should not be interpreted as percentages of total complaints.

a refund or exchange and is refused. Home improvement firms, firms involved with automobiles and repair shops also have similar profiles of complaints. Defective products appear in complaints against both home improvements and the auto firms, price problems appear frequently in the complaints against auto firms and repair firms; all three of these types are blamed frequently for defective service and repairs and both home improvement firms and repair shops are frequently accused of delaying repairs. The industries with the most unusual profiles are the two that especially plague the poor on the Lower East Side, shipping and travel and educational services. The former is most frequently accused of price deception, refusal to refund and refusal to make deliveries. The profile of the educational services companies is most suggestive of deception and fraud as the three most common complaints against this group are contract problems, misrepresentation and price problems.

Table 6 indicates how types of complaints are associated with types of firms against which complaints are registered. We have seen that the pattern of complaint varies with type of firm, some firms being accused of failing to deliver effective services on time, and others accused of selling faulty merchandise. Another available datum that bears on these differences is whether the complaint involved a monetary dispute and, if so, the amount in dispute. Included in the notion of a monetary dispute are, of course, contractual disputes, whereas nonmonetary complaints typically deal with failure to deliver goods and services on time and failure to make adequate repairs. Table 7 shows both the frequency of non-monetary complaints, and among monetary complaints, the frequency of the more serious ones (\$250 or more) by type of offending firm.

Table 7

Type of Firm by Whether Complaint Is Monetary,
and If So, Whether Amount in Dispute Is Large

Type of Firm

<u>Nature of Dispute</u>	<u>Home Improve- ment</u>	<u>Auto Indus- tries</u>	<u>Repair Services</u>	<u>Home Appli- ances</u>	<u>Furni- ture Stores</u>	<u>Ship- ping and Travel</u>	<u>Depart- ment Stores</u>	<u>Other Retail Stores</u>	<u>Edu- cational Services</u>
Non-Monetary	42%	41%	38%	35%	29%	26%	26%	21%	21%
Of Monetary, Per Cent Over \$250	68%	46%	7%	29%	60%	39%	27%	15%	71%

The firms are ordered according to the frequency with which the complaints involved a monetary dispute. In every category the majority of complaints did involve disputes over money, but there was considerable variation according to type of firm. Reading from left to right the frequency of monetary disputes increases. Home improvement firms and automobile industries were least likely to be involved in monetary disputes, whereas at the other end of the continuum we find shipping and travel firms, department stores, other retailers and educational services most likely to be the targets of monetary disputes with dissatisfied consumers.

The pattern is somewhat different when we turn to the second row, which shows the frequency of severe monetary disputes. Here we find three types of firms in which the great majority of monetary disputes involve substantial sums of money, home improvement firms, furniture stores and educational services. In each instance a substantial majority of the monetary disputes involved sums in excess of \$250. This is hardly surprising, for the "goods" sold by home improvement firms and furniture stores are "high ticket" items, that is, goods selling for a good deal of money. Somewhat more surprising perhaps is that contracts for educational services, job training and language courses, also involve substantial commitments on the part of the consumer-debtor. To learn to be a key puncher or to be given instruction in English involves a large financial commitment on the part of the debtor, often one that he comes to question when exposed to the inferior instruction. Tables 6 and 7 in combination provide a portrait of the complaints and their severity leveled against the various types of firms.

A Portrait of Resolutions

Some quantitative data are available on the resolution of complaints, but these data must be approached with extreme caution for our sample of resolutions is far worse than our sample of docketed complaints. The turnover in personnel in the Forest Hills office in combination with the protracted illness of a major figure on the research team, resulted in a particularly shabby record of resolutions for that office being transmitted in a usable form to the researchers. All too often the resolution forms (a separate document from the intake interview form) arrived without the proper docket number which prevented matching the two forms. Approximately 580 Lower East Side cases had been resolved by the end of September, and approximately 850 of the Forest Hill cases. But the vast slippage in data processing is indicated by the fact that only 271 resolution forms for the Lower East Side were processed for IBM tabulation, a figure that comes to 49 per cent of the total. The Forest Hills sample is even worse for only 258 resolution forms for that office were processed, a mere 30 per cent of the total. Thus the statistical analysis of resolutions is based on sub-samples of 49 per cent and 30 per cent respectively of the Lower East Side and Forest Hills offices and thus is subject to some error. Nonetheless we shall present some findings on resolutions that at the very least may be treated as suggestive.

Length of Time of Resolution

One piece of information available is how long it took these offices to resolve complaints that were docketed, regardless of the outcome of the resolution. (As we have seen in 80 per cent of the cases, the

office was able to directly help the complainant.) Length of resolution has been divided into three categories, "short," i.e. under a week, "medium," i.e. one week to a month, and "long," i.e. more than a month. The records of the two offices are quite similar in this respect as can be seen from Table 8.

Table 8

Length of Resolution in Cases That
Were Resolved by Office

<u>Length of Time for Resolution</u>	<u>Lower East Side</u>	<u>Forest Hills</u>	<u>Total</u>
Short--under one week	37%	30%	34%
Medium--one to four weeks	26	33	29
Long--over a month	37	37	37
	<u>100%</u>	<u>100%</u>	<u>100%</u>
N	(278)	(258)	(537)

The total column must be treated with great caution since the Lower East Side office makes an even larger contribution to it than the Forest Hills office, although the latter had by far the larger number of resolutions. More meaningful are the differences between the two complaint offices. Although the differences are small, the Lower East Side office was nonetheless somewhat more successful in getting speedy resolutions. We have seen that in 80 per cent of the resolutions the local offices were able to provide direct help to the complainant with his problem. In the other 20 per cent, the complainant was referred elsewhere or his complaint was unfounded, or in a few instances nothing could be done for him. How long did the successful resolutions take? The answer is provided in Table 9.

Table 9

Length of Resolution in Cases Where Local Office
Directly Solved the Client's Problem

<u>Length of Resolution</u>	<u>Lower East Side</u>	<u>Forest Hills</u>	<u>Total</u>
Short--under one week	35%	34%	35%
Medium--one to four weeks	28	32	30
Long--over one month	36	34	35
	<u>100%</u>	<u>100%</u>	<u>100%</u>
N	(198)	(204)	(403)

What little difference appeared between the two offices now disappears when direct help resolutions alone are considered. In each office slightly more than a third of the successful resolutions took less than a week and a similar proportion took a relatively long time--that is more than a month.

Not surprisingly, the speed of resolution depends upon the amount of money in dispute. The larger the amount, the more likely the dispute will take a long time to resolve. But nonmonetary disputes, those involving complaints about defective repairs and delays in the delivery of goods and services also take a long time to resolve. These findings are shown in Table 10.

The first column refers to nonmonetary complaints and these prove especially difficult to resolve quickly. The complaints as noted, usually involved delayed deliveries and defective repairs and they tend to reflect conditions beyond the control of the dealer, whether because of incompetence, mismanagement or some unforeseen circumstance. In short, even

Table 10

Length of Resolution by Monetary Value of Complaint

<u>Length of Resolution</u>	Non-Monetary	<u>Monetary Value of Complaint</u>			
		Under \$100	\$100-\$249	\$250-\$499	\$500 Plus
Short--under one week	25%	43%	27%	29%	27%
Medium--one to four weeks	33	27	32	30	26
Long--over one month	42	30	41	41	47
	100%	100%	100%	100%	100%
N	(154)	(200)	(90)	(56)	(62)

though the dealer is willing to make amends, he may not be able to do so in a short period of time. The next four columns show how length of resolution steadily increases as the monetary value of the complaint increases. Sellers are clearly more ready to come to terms and settle when the amount in dispute is small.

The data were examined to see whether resolutions were more likely to be obtained with certain types of dealers or complaints than others but hardly any patterns of note emerged. By and large the distribution of resolutions followed the distribution of docketed cases. For example, nine per cent of all docketed complaints involved automobile-related cases and nine per cent of the resolutions were in this category. The same holds for virtually every other category of firm with one exception, the home improvement companies. Although eight per cent of all the complaints were lodged against such firms, only four per cent of the resolutions involved home improvement firms. Conflicts involving home improvement firms would seem to be more complicated and more difficult to resolve.

They almost always involve large sums of money. Moreover, home improvement is a field fraught with fraud and many of the shady operators in this area no doubt hide behind corporate subterfuge or simply disappear, making settlements virtually impossible. In any case, the one category in which resolutions are underrepresented consists of home improvement firms.

Major Investigations

In the earlier report, the major investigations initiated by the Lower East Side and Forest Hills offices during their first four months of operation were described. The Lower East Side in that period had initiated 12 major investigations and the Forest Hills office worked on nine including two that were begun by the office's director before the office was established. These major investigations all involve patterns of fraud and are stimulated by numerous complaints. The objective of the Complaint Centers is, at the very least, to obtain an assurance of discontinuance and in cases of extreme offenders, to get criminal prosecutions. As noted in the earlier report, these major investigations involve considerable work, including docket book surveys to surveys of potential victims. Although small in number, it is the major investigations that often have the biggest payoff for consumers, for by forcing unscrupulous merchants to modify their practices, the local offices are not only able to help those already cheated but prevent many more from being cheated.

In the first four months of operation, as described in the earlier report, the Lower East Side office initiated 12 major investigations and the Forest Hills office carried out eight, including two that were begun by the office's director before the office was established. In addition

to working on these earlier investigations, each Complaint Center initiated new ones in the subsequent months. The Lower East Side began nine new investigations and the Forest Hills office initiated ten. Thus over the course of the first year of operation, the Lower East Side office worked on 21 major investigations and the Forest Hills office on 18. This section describes both the new investigations and updates the old ones.

New Investigations on the Lower East Side

1. Enurtone

This firm sells an anti-bed-wetting device. The D.C.A. staff was disturbed by misleading advertising. An assurance of discontinuance was signed which includes the following stipulations:

- 1) Advertisements will make no unverified claim to record of success.
- 2) Advertisements will note the possibility of organic cause of bed-wetting.
- 3) Record-keeping cards for use of parents will be in both Spanish and English.

2. Bromoleo's

This upper Manhattan firm employs door-to-door salesmen in Spanish-speaking areas to promote the conversion of family photographs into paintings. The photographs are sent to Spain where painting is made. The finished product is often of very poor quality. Under contractual arrangement, the family makes payments in lay-away-plan fashion before the painting is commissioned. Frequent complaints about firm's failure to stipulate delivery date, non-delivery, failure to refund partial payments when the order was not completed and failure to provide debtor with three-day cancellation card were some of the violations uncovered by D.C.A. investigators. An assurance of discontinuance was obtained which included the following stipulations:

- 1) Disclosure of delivery date.
- 2) Debtor's right to full refund if delivery not made up to 30 days past delivery date.
- 3) Provision of three-day cancellation cards (law in all home solicitations).
- 4) Give all customers a card informing them that they should complain to the D.C.A. if they are not fully satisfied with the company's services.

3. Sunny Sales

This firm is a direct sales company specializing in selling furniture, home appliances, and other goods for the home to welfare families. Violations include failure to provide debtor with a copy of contract; failure to provide information on finance charges; the frequent delivery of damaged goods; failure to provide seller's name and address and failure to provide three-day cancellation cards. Lower East Side is planning the following actions:

- 1) Subpoena copies of contracts.
- 2) Subpoena customer list and interview customers.
- 3) Subpoena salesmen for questioning.

4. Rena Ware

Another direct seller found to violate the D.C.A.'s regulation 4, prohibiting prejudgment communications by creditors with the debtor's employer. An assurance of discontinuance was obtained which stipulates:

- 1) Firm would cease practice.
- 2) Send letter of apology to all employers it had previously contacted in violation of regulation 4.

5. Lincoln Electronics

Another direct sale firm selling home study language courses. Over ten complaints were received. The owner was subpoenaed, a hearing held, customers were canvassed to learn whether they had been given cancellation card and to discern nature of misrepresentations. An agreement of discontinuance was signed.

6. Risto Craft

A kitchenware firm engaged in direct selling. Firm claims to have gone out of business although same people have opened new firm at same address under a new name (Kitchen Jewels). Original company had obtained payments and deposits for goods never delivered (over 40 complaints). Moreover, the firm was employing a lay-away plan (goods not delivered until final payment made) under the guise of installment selling (goods delivered before payments commence). Investigation of this firm is still in progress.

7. Emgee

A firm selling furniture that also abuses the principle of lay-away-plan as a way of avoiding the regulations of installment sales. The Lower East Side office is concerned about rights of consumers who change minds and want partial refunds under this arrangement. This

and previous cases stimulated the Lower East Side office to explore the whole issue of lay-away plans as a prelude to possible regulations controlling this practice.

8. Lane Sales

Like Sunny Sales, Lane is a direct sales firm dealing in furniture, home appliances, furnishings and miscellaneous household goods. Numerous complaints about delivery failures and defective goods were received. Contracts violate truth in lending regulations. Fact-finding is still in progress. The Lower East Side office expects the investigation will lead to an assurance of discontinuance and major fines.

9. Emkay Furniture

Like Rena Ware, this firm also violated regulation 4 of the D.C.A. which prohibited prejudgment communications with the debtor's employer. The company signed an assurance of discontinuance in which it pledged to discontinue the practice and send letters of apology to the employers and the debtors.

The Updating of Earlier Lower East Side Investigations

The earlier report described some 12 major investigations initiated by the Lower East Side office that were in various stages of progress. At the time the report was written, none of these cases were completed. Considerable progress has been made on most of these cases as the following accounting indicates.

1. Masterpiece Showplace

A firm that failed to deliver custom built stereo cabinets. An assurance of discontinuance was signed including following:

- 1) End of misleading newspaper advertisements.
- 2) Fulfillment of previously unfilled orders.
- 3) Disclosure to customers of firm's telephone number for complaints about service and delivery.
- 4) Specification of the order's materials and design.
- 5) Prompt delivery.

The Lower East Side office contacted the Bronx D.A.'s office in effort to have it initiate criminal proceedings against this firm, the object of over 50 complaints, but the D.A.'s office refused to take action.

2. Alba Furniture

Numerous violations by this firm, including non-delivery, defective products, violation of truth in lending. As reported earlier, owner of the firm threatened to have the Lower East Side director fired because of his political connections. In the interim, the threats have escalated. Owner now claims a tie-in with a Florida-based firm which law enforcement agencies believe to be tied to organized crime. The F.B.I. and the U.S. Attorney's office are investigating the alleged connection between Alba Furniture and the Florida company. Meanwhile Alba is doing business as usual.

3. ABC Alarm

Burglar alarm company operating in the Vigilant fashion (see earlier report for Forest Hills investigation of Vigilant). Lower East Side office has completed docket book study, is currently canvassing customers about whether they received three-day cancellation card, has investigated the quality of alarm, has looked into the financial structure of the firm, and is currently investigating the possibility of revoking firm's home improvement license. Lower East Side office anticipates cancellation of contracts and assurance of discontinuance in Vigilant fashion, although at year's end these resolutions had yet to materialize.

4. Columbia Institute

Major sellers of home study language courses, guilty of misrepresenting company and product. In addition, Lower East Side has discovered truth in lending violations. The Lower East Side was hampered by fact that company headquarters is in New Jersey, but the New Jersey Office of Consumer Protection is cooperating and is currently subpoenaing company's records. Lower East Side has subpoenaed the records of two New York collection agencies that work for Columbia Institute. Meanwhile, the Lower East Side office has persuaded two New York Spanish language newspapers, a Spanish language radio station and a Spanish language TV station to cease accepting the advertisements of this company.

5. International Universities

This is the fraudulent charter flight company. Following initiation of Lower East Side office's investigation, the owner fled to London where he is being held by British authorities on a charge of stealing \$180,000 worth of airline tickets. The New York office was closed and in September a City Marshal who sold the office furniture was persuaded to turn the records of the firm over to the Lower East Side office. The evidence in these records has assisted the C.A.B. in obtaining a court order enjoining approximately a dozen charter flight agencies from doing business. The Lower East Side

office is awaiting proceedings in London. Its expertise based on this investigation will be used to strengthen charter flight legislation now before the New York State legislature.

6. Patricia Stouffer Reducing Salon

This firm is engaged in a fraudulent weight reducing program. Lower East Side office has succeeded in getting local papers to refuse advertisements of this firm. The firm is now on the verge of signing an assurance of discontinuance that includes the following stipulations:

- 1) Revision of advertisements to eliminate references to scientific weight reducing program.
- 2) Permitting all the customers who have complained to the D.C.A., 23 to date, to rescind the contract.
- 3) End high pressure sales techniques.
- 4) Comply with New York City Health Code that requires all prospective weight reducing customers to take a physical examination.
- 5) Agree to file the assurance of discontinuance with the State Supreme Court as a consent decree. Thus any violation of it would place the firm in contempt of court.

It may be noted that this pending assurance of discontinuance that has resulted from a large amount of investigation is hardly revolutionary. This firm, which systematically violated the New York City Health Code and made use of a dangerous and ineffective vibrating machine, has not been enjoined from doing business. Rather, it must be a little bit more honest in selling its ineffective product. Such is the world of consumer fraud and white collar crime!

7. Puerto Rico Shipping

Numerous complaints had been filed against this firm for failing to deliver shipments of furniture to Puerto Rico. The investigation of the Lower East Side office disclosed that much of the furniture was being stored in warehouses in Puerto Rico and the Bronx. When informed of this, many dissatisfied customers searched the warehouses and a substantial minority--some 50 complainants were unable to find their furniture at either location. The investigation had several salutary effects. First, the Federal Maritime Commission agreed to waive \$3,000 in freight charges. Second and most unusual, the Bronx District Attorney agreed to investigate the case at the urging of the Lower East Side office. This investigation **resulted** in an

indictment against the owner on charges of grand larceny, petit larceny, criminal mischief, violations of the administrative code and false advertising.

This case is striking because of the many faceted criminal indictment that was obtained by the D.A.'s office against this firm. In the next section we shall examine the relationship between the Department of Consumer Affairs' decentralized offices and the offices of the District Attorneys of the city and this case will emerge as a striking exception to the usual pattern.

8. Roma Furniture

A company with the characteristic syndrome of failing to deliver furniture or delivering defective merchandise. This investigation resulted in an assurance of discontinuance which included the following stipulations:

- 1) Disclosure of the delivery date.
- 2) Delivery within 30 days of the declared delivery date.
- 3) Should delivery not be made within 30-day period, customer has right to cancel contract and receive refund of downpayment.
- 4) Prompt servicing and/or replacement of defective or damaged furniture.
- 5) Payment of 75 per cent of one day's income (not to exceed \$30) to customer for failure to keep a delivery or servicing appointment.

The innovative feature of this agreement is in item five. All too often consumers are required to lose a day's pay in order to be at home when the delivery or repair is being made. Item five in this assurance of discontinuance takes this inconvenience to the consumer into account and insures his being recompensed at least in part when the company fails to perform its service on the date that it stipulated.

9. Weil Furniture

This firm sues large numbers of debtors who refuse to pay on defective merchandise. The Lower East Side office conducted a docket book study of the 150 debtors sued by this firm and sent the debtors

questionnaires. By the end of the year the questionnaires were being processed and plans were being made to confront Weil Furniture, but to date no definitive action has yet been taken.

10. Wonderland of Knowledge Corporation

A phony seller of educational material exploiting the Catholic parochial schools (see earlier report for fuller description). The Lower East Side office succeeded in getting the Catholic Archdiocese to ban all firms and salesmen from its schools. The investigation is still going on as the Lower East Side office is currently in process of subpoenaing the firm to obtain copies of its contracts which might reveal further violations.

11. H. Schwartz Moving and Storage

Moving firm used by city marshals in eviction proceedings. Numerous complaints about "lost" merchandise. As of end of year fact-finding investigation still in progress and no resolution.

12. Affiliated Sales

A door-to-door sales firm selling a variety of household goods. The D.C.A. received numerous complaints about quality of goods delivered. Further discovery of truth in lending violations. Negotiations were held and an assurance of discontinuance was obtained that covered primarily the misrepresentation of the "free gift," the inducement for purchasing a major item.

As this inventory of major investigations started by the Lower East Side office during its first year of operation, including the updating of old investigations, indicates, the considerable time and energy that are expended on major investigations lead to a number of successes, but in many cases the seller either fails to come to terms with the local office --cases of open defiance--or else agrees to rather minor modifications of his sale practices. In short, the powers of subpoena and the other strong sanctions imposed by the 1969 Consumer Protection Act are no guarantee of automatic success in wiping out consumer fraud. True these powers do result in assurances of discontinuance in a number of cases, but it is also important to note that not all unscrupulous, cheating merchants are

automatically punished. This is the story that emerges from the major investigations carried out by the Lower East Side office. Whether this picture can be generalized to the Forest Hills office's major investigations is considered below.

New Investigations in the Forest Hills Office

As we saw in Table 1, the Forest Hills office conducted 18 major investigations during the year, nine of which were initiated in the first five months and were described in the earlier report,* and nine of which were initiated since then.

A summary of the new major investigations initiated by the Forest Hills office follows.

1. Whitehall Kitchens

A firm engaged in kitchen renovations that gave a franchise to another firm that went out of business. A number of complainants had made deposits but received no service from the defunct subsidiary. The parent firm and the new franchisee signed an assurance of discontinuance to perform the required services or to return the deposits. Over \$17,900 in deposits was returned to consumers in the form of services performed or refunds.

2. Michael's Furniture

The Forest Hills office received over 30 complaints that amounted to what the staff termed a "typical furniture case," meaning delivery of defective and damaged goods, delayed delivery, delivery of wrong goods and inadequate or delayed repairs. In addition, firm retained deposits after agreeing to cancel contracts. Many of these cases are now in the small claims court. The Forest Hills office has scheduled a hearing on January 24, 1972. It seeks an assurance of discontinuance that will guarantee delivery within 30 days, and will give the customer the right to cancel if the goods are not delivered

*The first report erred in describing two separate investigations as one. These are investigations of two subsidiaries of Cowles Publishing Company, the Civic Reading Club and the Home Reading Service. Both companies engaged in magazine selling, and separate investigations were carried out on each.

in that time. It would also specify that repairs of damaged or defective goods be carried out within the specified time period. The complainants to the Forest Hills office collectively had \$3,000 in deposits placed with this firm and had not received expected services.

3. New York Training Center

This firm caters to low-income persons and alleges to train its customers as key punchers and nurse's aides. The firm promises its subscribers jobs upon graduation. In fact, although guaranteeing jobs for nurse's aides it does nothing more than supply graduates with a list of hospitals reproduced from the yellow pages of the telephone books. A survey of hospitals shows that none of them are aware of the New York Training Center. New York Training Center also promises its enrollees part-time jobs while taking the training course. In fact, they merely send the trainees to an employment agency and this employment agency has complained to the D.C.A. with respect to the Training Center's policy of sending over so many job applicants. In addition, New York Training Center recently cut a number of class hours without notifying customers nor providing them with partial refunds. In all, the Forest Hills office received 15 complaints from persons who had paid \$295 per course. The Forest Hills office hopes to obtain mass restitution for all customers and to persuade the New York State Department of Education to revoke the license of this firm.

4. Vulcan

A waterproofing home improvement firm with a long record of defective service. The Forest Hills office received fully 300 complaints but only 25 of them are both within the D.C.A.'s jurisdiction of the five boroughs of the city and refer to services performed following the enactment of the Consumer Protection Act. The Forest Hills office is working on an assurance of discontinuance and is considering holding a licensing hearing, since all home improvement firms are licensed by the D.C.A.

5. Genuine Service Corporation

About ten complaints of poor service and overcharging were lodged against this appliance repair service. A check of the phone book revealed a network of linked telephone numbers and addresses of 15 appliance repair companies. But a check of incorporation papers did not show common ownership. The Forest Hills office is still devising plans to how to tackle this case.

6. Hill Furniture

Three Brooklyn furniture stores owned by one person went out of business. The owner absconded with his partner's wife to California.

Over 300 customers have deposits, most of which are payments in full, for ordered furniture. The total at stake is over \$100,000. There is neither furniture nor money available to these customers. The Forest Hills office brought this case to the attention of the Brooklyn D.A.'s office but they refused to investigate because "criminal intent" had not been demonstrated.

7. Shelton Health Club for Women

After moving from the East to the West Side of Manhattan, the club refused to release its members, many of whom lived on the East Side or in Queens, from their contracts. At a hearing, the firm agreed to refund the money of those customers who wanted it.

8. 5A Joe's TV

About ten complaints were received by the Forest Hills office against this firm regarding inadequate or delayed service. This investigation is just getting under way.

9. Professional Advancement Center

A vocational school for court transcribers. Like the New York Training Center, it makes false promises about job guarantees and high levels of salary. Investigation resulted in firm's agreeing not to place these false advertisements in the mass media.

The Updating of Earlier Forest Hills Investigations

1. Vigilant

Perhaps the most successful of the major investigations involved this firm. As noted in the earlier report, a complicated assurance of discontinuance was arranged. The adverse publicity put this firm in trouble with its creditors and it eventually filed for bankruptcy. The Bronx D.A.'s office was moved to indict the owner on grand larceny charges but eventually dropped the major charges and allowed the company to plead guilty to two misdemeanors.

2. Mallory Furniture

After obtaining an assurance of discontinuance, the Forest Hills office continued to receive complaints, a number of which were violations of agreement. The Forest Hills office is now preparing to lodge its first complaint in court for a violation of an assurance of discontinuance. The Forest Hills office hopes to obtain penalties for each violation (that provide for fines from \$50 to \$500 per case) and an injunction against further violation of the assurance of discontinuance.

3. Tri-Boro Service Corporation

This is a fraudulent firm that claims to repair household appliances. The Forest Hills office turned this over to the central office for investigation partly because its preliminary investigation indicated other fraudulent repair firms tied into this one such as the "AA Astoria Co." The cooperation of washing machine manufacturers was obtained, and "doctored" machines with minor defects were placed in the homes of several investigators posing as housewives. They called these firms and were able to demonstrate overcharges and charges for repairs not done. The D.C.A. is planning to a) obtain an assurance of discontinuance, b) sue for mass restitution to defrauded customers and c) ask the D.A.'s office to press criminal charges.

4. Phillips TV

Another fraudulent repair firm; the Forest Hills office tried hard to interest the Queens and Brooklyn D.A.'s offices in bringing criminal charges with no success. But the Forest Hills office pressed its case with the Manhattan D.A.'s office and managed to persuade it to take action. The Manhattan D.A.'s office carried out its own investigation, including the placing of "doctored" TV sets and its investigation documented the fraudulent practices of the firm. The D.A.'s office had the owner arrested on criminal charges of petty larceny, false advertising and conspiracy (all misdemeanors).

5. Towing Industry

This case was turned over to the central office for further investigation because of its complex nature. Complaints diminished in frequency and this case was relegated to a low priority. No progress has been made in the last few months.

6. Ficcarra Furniture

Another typical furniture case with all the standard complaints. Initially Forest Hills office was confident that it would get an assurance of discontinuance. But the firm refused to sign such a document. The Forest Hills office is now drafting a court complaint asking that Ficcarra be enjoined from particular trade practices as well as setting a reasonable time limit for delivery and repair.

7. and 8. Civic Reading Club and Home Reading Service

In the earlier report these were listed as a single investigation since both of these firms were subsidiaries of Cowles Communications Publishing Company. In fact, each firm was investigated separately and these should be recorded as separate investigations. These firms engaged in door-to-door selling of magazines under a number of false

claims. An assurance of discontinuance was worked out with each firm that called for a) mass restitution and cancellation of contracts of complainants and b) the end to such misrepresentations in the sales pitch as 1) merchandise is free when it is not, 2) price reductions available when not true, 3) that offer is for limited time only when this is false, and 4) claims that customer was specially chosen, when in fact he was not.

9. Empire General Contractors

This home improvement firm which failed to deliver after taking deposits from customers agreed to return funds to complainants as reported earlier. This settlement was assisted by the intervention of a Queens D.A. who arranged a meeting between the contractor and the Forest Hills director. In short, this case was settled by the time of the earlier report.

We have spent so much time reviewing the major investigations of the two local offices because this part of their activities comes closest to the mission of stamping out that pernicious type of white collar crime known as consumer fraud. As Table 1 indicated, both offices combined carried out 39 major investigations during the first year, with the Lower East Side office ahead of the Forest Hills office in this respect. The results of these efforts were at best mixed. The directors of the local offices were clearly disappointed that not more of these cases resulted in criminal prosecutions, a theme we turn to in the next section. In some 17 cases, 45 per cent of the total, the Complaint Centers succeeded in getting the merchant to sign an assurance of discontinuance and in several other cases, merchants were forced to curtail their fraudulent advertising, either voluntarily or nonvoluntarily. A number of these investigations are still alive and some of them are frankly moribund. In sum, although the powers bestowed on the local offices by the Consumer Protection Act have resulted in much good, these offices have also in a number of cases

been stymied and unable to control a fraudulent seller, at least not in a short period of time. The tough cases involve considerable work, such as bringing suit in court, and seeking court injunctions and, as is well known, turning to the courts is a two-edged sword. The other side can easily get postponements and so drag out the process that many months, if not years, pass before cases are resolved. Yet on balance, it is evident that the local offices were able to do much good on behalf of defrauded consumers. As we shall note in a later section, a number of these successes have had a multiplier effect in that they led other merchants to conduct their businesses in more ethical fashions than they might have done otherwise.

The Efforts of the Complaint Centers to Engage District
Attorneys in Prosecution of Consumer Fraud

The deterrent theory of punishment, as noted in the earlier report, is especially applicable to white collar crime, for white collar criminals are almost by definition persons with a stake in their occupations, their social standing and their communities. Were they to know that the nefarious activities to which they turn for illicit gain carried a high risk of their spending years in jail, very few of these specialists in consumer fraud would take the risk. Yet in the one area where the deterrent theory of punishment clearly applies, it is seldom used. White collar crime in general and consumer fraud in particular are able to thrive because hardly any of the perpetrators of these crimes are punished. The law enforcement division of the Department of Consumer Affairs well understands this problem and it has taken the position that criminal prosecutions are necessary primarily to discourage those who would engage in

consumer fraud. For this reason it has on a number of occasions made available to the District Attorneys' offices the results of their own investigations in the hopes that the D.A.'s would initiate criminal prosecutions. Yet, as noted in the earlier reports, these efforts have been largely unsuccessful. Earlier interviews with D.A.'s disclosed that such investigations are extremely costly in time and money. Moreover, under the present larceny laws, it is extremely difficult to get convictions because of the problem of establishing intent. This boils down to the problem of differentiating the man who intends to steal, from the man who intends to perform but simply is incompetent as a businessman and thus unable to deliver on his promises. According to the law, the former is a criminal but the latter is not. For these various reasons, D.A.'s have traditionally shied away from prosecuting the perpetrators of consumer fraud. It was this situation that led to the recommendation that funds be made available to two D.A. offices in the city for hiring assistant District Attorneys who would concentrate on working with the Department of Consumer Affairs. And yet, even before this new arrangement has come into being, the local offices have had some success in involving D.A. offices with their cases.

In all, during the first year the local Complaint Centers referred four cases to D.A.'s, and although often met with considerable resistance, the local offices persisted, turning from one D.A.'s office to another until they managed to obtain action on three of the four cases.

The first of these involved the notorious Vigilant Burglar Alarm Company. On the basis of many newspaper stories reporting the Department of Consumer Affairs' exposures of this firm, the Bronx District Attorney

decided to press charges against the firm and its owner. The owner and the firm were charged with 38 counts of petty larceny by District Attorney Roberts' office. The Department of Consumer Affairs was elated as this case represented the first action taken by a District Attorney as a result of a referral from a local Complaint Center. This elation was soon dimmed, however, when it was learned that the charges against the firm's president were dropped and that the firm itself pleaded guilty to several misdemeanors and was fined \$10,000. The complete history of Vigilant would easily occupy a book, for it involves stock manipulations, major department stores, political influence as well as the fraudulent sale of ineffective alarms at exorbitant prices.* That the resort to criminal prosecutions resulted in a fine to the company of \$10,000, the cost of 20 burglar alarms, and the exoneration of the man who invented these fraudulent schemes, leaves little reason for assuming that the deterrent function will come alive even when D.A.'s do take on the perpetrators of consumer fraud.

The second case in which a local Complaint Center was successful in influencing a D.A. office to carry out a prosecution involved the nefarious Brooklyn TV repair firm, Phillips Television, Inc. As noted in the earlier report, the director of the Forest Hills office brought the results of his investigation to the attention of the Brooklyn D.A.'s office only to be told by the head of that office's Complaint Bureau that even though the firm was located in their jurisdiction most of the customers

*In fact, the Vigilant story does occupy a chapter of a book. See Philip Schrag, Counsel for the Deceived, New York: Pantheon Press, 1972.

were not and he should try some other D.A.'s office. The Forest Hills office then brought this case to the attention of the Queens D.A.'s office with the same results. Finally, the Forest Hills Complaint Center tried the Manhattan D.A.'s office and did succeed in convincing this office to carry out an investigation. Almost eight months after the case was first referred to the Brooklyn D.A.'s office, the Manhattan office, on the basis of its investigation, arrested the owner of Phillips TV and prosecution is pending.

The third success involved the Lower East Side office's investigation of the Puerto Rico Shipping Company, the firm that failed to deliver goods to Puerto Rico. The Bronx District Attorney's office indicted the principals of this firm for grand larceny, criminal possession of stolen property, criminal mischief, false advertising and violation of the Administrative Code. These are by far the most serious charges brought against any firm investigated by a decentralized Complaint Center and although the case has not been resolved, it is likely that at least in this instance, criminal penalties will be meted out against the fraudulent dealer.

Although another case was referred to a D.A.'s office by the Lower East Side office, no action has been taken and the local office is quite pessimistic that any action is forthcoming. Other cases that the local offices have approached D.A.'s about include the bankrupt Hill Furniture Company, Tri-Boro Service Corporation (a firm that is to washing machines what Phillips TV is to television sets), Stouffer Reducing Salon, and Shelton Health Club, and although some of these may lead to action by the D.A.'s, the local offices are not too hopeful. The one case that might

lead to action is the Lower East Side's investigation against the fraudulent charter flight firm. This case is now under consideration by the U.S. Attorney's office but, as noted earlier, local actions are being held up because the perpetrator of fraud has been apprehended in London for trying to sell stolen airline tickets.

In view of the time-consuming investigations by the local Complaint Centers that uncovered patterns of fraud against a number of firms, the record for criminal prosecutions is rather discouraging. At the end of the first five months, only the Vigilant case had engaged a D.A.'s office and in the next seven months that record was doubled as two more investigations by local complaint centers resulted in arrests and prosecutions, Phillips TV and Puerto Rico Shipping. But we have already seen the Vigilant case dissipate and there is little reason to believe that the parties involved in the other cases will spend any time in jail. To the extent that they do not, the deterrent function of punishment will not be tested in the one area where it is likely to be effective: consumer fraud. This is doubly unfortunate, for not only are guilty persons allowed to remain free of punishment, but their would-be imitators are encouraged to join the game for they know that little harm can come their way even when they lose.

The second year of the Decentralized Complaint Center program will be crucial from the point of view of obtaining criminal prosecutions, for the renewal grant provided funds for an Assistant District Attorney in both the Queens and Manhattan office who would concentrate on complaints stemming from the local offices of the Department of Consumer Affairs.

The creation of these special posts overcomes many of the current obstacles to pursuing consumer fraud on the part of District Attorneys. Most important, the critical question of how to allocate scarce resources of manpower is resolved for these D.A.'s will be additions to the current staffs and will have the handling of these complaints as their sole responsibility. A related benefit is that an incentive for pursuing such cases will be built into the D.A.'s office, for these special assistants will have no choice but to seek success through the prosecution of such cases. How this arrangement works out will be a critical aspect of the evaluation of the second year of this program.

Diverse Impact of the Local Complaint
Centers in Combatting Consumer Fraud

Impact on Regulations

So far this report has examined the two "manifest" functions of the local Complaint Centers, their resolution of individual consumer complaints and their major investigations designed to force particular firms to cease from their fraudulent practices. In terms of serving the needs of the consumer, these might be thought of as the "retail" and "wholesale" functions of the Complaint Centers or, to use the language that has evolved from legal service offices in poverty areas, the distinction between solving individual problems, on the one hand, and reforming the system in which such problems emerge, on the other (i.e. law reform). The notion of reforming the system calls attention to much more than major investigations against individual firms--the wholesalers of consumer complaints. The Department of Consumer Affairs was empowered by the Consumer

Protection Act of 1969 to promulgate regulations that are designed to protect consumers from fraud. If resolving individual complaints is a "retail" function and obtaining assurances of discontinuance against offending firms is a "wholesale" function, then a departmental regulation prohibiting a particular practice on the grounds that it is unfair is perhaps equivalent to the "manufacturing" function for these rules modify the system in which the buyer-seller relationship takes place. The local Complaint Centers turn out to perform a vital function with respect to the promulgation of these rules, one that was not anticipated when the offices were set up and for this reason might be called a "latent" function of the Complaint Center.

During the two-year period since the Consumer Protection Act was enacted, the Department of Consumer Affairs has been successful in passing 16 regulations that have the status of law. Many more regulations are in various stages of formulation. To a large extent the local offices have been instrumental in formulating these regulations. They have been in a position to determine the nature of a problem and the frequency of an abuse. While the local offices have had some influence on almost all the regulations passed so far, they have been particularly influential with respect to six regulations that have either already been enacted or are in the process of coming into being. Thus an assessment of the activities of these offices would be incomplete without noting their contribution to the fundamental ground rules under which the buyer-seller game is played. A brief summary of the regulations that have stemmed primarily from the local offices follows:

Regulation 11: Deceptive Collection Practices. This regulation forbids a creditor or a collection agency from claiming a right which does not exist, threatening to take an action which he does not intend to take, or sending a communication which stimulates legal or judicial process when in fact it is not. The local Complaint Centers found that these types of deceptive collection practices were commonly used by creditors in their dunning letters.

Regulation 12: Door-to-Door Salesmen. This regulation requires that door-to-door salesmen identify themselves as such at the beginning of the contact with the prospective customer. They must also state, in general terms, the goods or services they are offering for sale. This regulation stemmed from the discovery by the local Complaint Centers that door-to-door sellers often misrepresent themselves as connected with school systems, charitable organizations, and clubs of various sorts in order to gain entree to the customer's house.

Regulation 16: Unconscionable Charges for Cancellation of Future Service Contracts. This regulation deals with vocational schools, dance schools and other "future consumer service" establishments. The investigations of the Lower East Side office in particular uncovered numerous dissatisfied customers who wanted to terminate their contractual arrangement only to discover that the contract they had signed held them liable for the services not delivered as well. This is a problem long identified by consumer advocates. (Richard Givens, now regional director of the F.T.C., and formerly the head of the Consumer Complaint Bureau of the U.S. Attorney's office, some years ago lobbied unsuccessfully for legislation

that would apply to contracts for services as distinct from contracts for goods. But it took the cumulative experience of the local Complaint Centers to compile the evidence on the seriousness of this problem and to guide the Department of Consumer Affairs in promulgating a regulation that other jurisdictions would do well to emulate. In fact, the Department's Regulation 16 should become the law of the land. Under Regulation 16, the firm can only collect five per cent of the cash price, not to exceed \$50, and a pro rata portion of the total price representing the proportion of services already rendered.

The remaining three regulations that have stemmed from the local offices are still in draft form.

Regulation 17 (Draft): Furniture Delivery. As we have seen, a common complaint against furniture stores is that they do not deliver goods at the time they say they will. Regulation 17 would require furniture stores to notify customers of the delay and when the delay exceeds thirty days to give the customer the option of a refund, a credit or a new delivery date.

Regulation 19 (Draft): Vocational Aptitude Tests. The local Complaint Centers have found that private vocational trade or home study schools frequently use "aptitude" tests to determine eligibility for enrollment even though these tests have never been shown to measure the skill or ability needed to perform well in the field. Also these schools give passing grades on the aptitude tests to almost all applicants. Both these practices have the effect of misleading prospective enrollees. The prospect may mistakenly believe that the school can determine his aptitude

or that the use of the aptitude test means that the school is highly selective. The proposed regulation would require that those offering such tests clearly state the percentage of applicants who pass the aptitude test and validate the test using professionally-sanctioned standards.

Regulation 21 (Draft): Disclosure of Ownership. This regulation requires corporations to disclose their full name; partnerships the name of at least one partner and all other firms the name of one of the owners on all memoranda of sale. The local complaint centers have found that consumers who wish to use the Small Claims Court are frequently frustrated because they do not know the legal name of the party whom they intend to sue. For example, Small Claims Court requires that the defendant's corporate name be used although many companies do not at present reveal the corporate name to the consumer.

These regulations that grew out of the experiences of the local offices call attention to an unanticipated function of these Complaint Centers, their capacity to uncover patterns of deception that can be dealt with by the Department of Consumer Affairs' power to promulgate rules governing business practices. The grass root involvement of these neighborhood centers thus contributes to what may well be in the long run the most effective power of the Department, the promulgation of regulations that protect consumers from exploitation.

Publicity and Consumer Education Function

Contributing to Departmental regulations, although an important indirect function of the local Complaint Centers, is not the only service that these offices perform apart from their manifest function of resolving

complaints. The subpoena power and the way it has been used by the local offices, particularly the Lower East Side office turns out to have a powerful educational function. By subpoenaing the records of businessmen, the local Complaint Centers are able to learn the names of customers who have been victimized. They are then able to contact these persons and inform them of their rights. In this fashion even consumers who do not complain are helped because they are told precisely how they have been cheated and what they can do about it. Were this a fee-for-service operation, the lawyers who run these offices would be criticized for advertising, but in the framework of a public service to victims of consumer fraud, this solicitation activity takes on an entirely different light. In short, the local offices have been able to assist defrauded consumers who have not sought out the complaint centers by virtue of their subpoena power. This educational function is particularly important in a low-income area like the Lower East Side where the victim of fraud has little idea of his rights and little knowledge of what he must do to exert them. Thus the subpoena power of the local Complaint Centers permits them to perform an unusual outreach function of informing consumers that they have been victimized and have rights.

The Issuance of Violations and Impact
on Local Merchants

One of the remedies at the disposal of the local Complaint Centers is issuing summonses for violations of Department of Consumer Affairs regulations governing such things as the posting of prices, window advertisements and truth in lending violations. This potentially powerful tool

was underutilized during the first year of the local Complaint Centers mainly because of a lack of personnel to carry out this policing function. The Lower East Side office during the first weeks of its existence, before its case load grew large, did canvass the area and issued a number of summonses. In all, the Lower East Side office issued 23 violation tickets during the year, almost all during the first month, and the Forest Hills office issued only three during the entire year. This difference is partly explained by the Forest Hills office being inundated with numerous complaints from the very beginning and having little time for ticketing and partly on the grounds that the Lower East Side merchants were more likely to violate Departmental regulations. The Lower East Side office is convinced that its ticketing campaign at the outset made the local merchants aware of their existence and sufficiently intimidated them that when complaints were received against them, the merchants were more ready to come to terms and avoid further trouble. Although they have no hard data to prove it, they are even convinced that merchants who were not ticketed were sufficiently forewarned as to either mend their ways somewhat or behave more accommodatingly when involved in a complaint. Thus the power to issue tickets for violations is a potentially powerful tool in combatting consumer fraud, one that unfortunately was underused by both offices for lack of manpower.

The Little City Hall and Middleman Function of Local Offices

As noted earlier, each local office, especially the Queens office, received hundreds of complaints that had nothing to do with their jurisdiction over consumer problems. The local offices were nonetheless able

to refer these persons to the appropriate agencies who could deal with their problems, for example, the agency that could handle a tenant's problem, or the agency that could handle a health problem. In this fashion, the local Complaint Center served the functions of little city halls. They symbolized the presence of city government in the neighborhood and by referring citizens to the appropriate city agency that could deal with their problem, they performed not only an educational function and middle-man function, but perhaps even more importantly, they performed the function of concretizing the otherwise distant, impersonal and abstract entity known as city government. Although not as relevant to the problems of consumer fraud as the other functions of the local Complaint Centers, this function of serving as neighborhood city halls is not to be taken lightly. If the concept of consumer is broadened to include not only customers of merchants, but also those who consume all sorts of goods and services including the services of landlords and the services of hospitals and the services of all kinds of city agencies, then the role that these local Complaint Centers play as little city halls is very much in keeping with their mission of solving the problems of New York's consumers.

Conclusions and Recommendations

The concept of the neighborhood Complaint Center as a tool in combatting consumer fraud and resolving consumer grievances was put into operation by the Department of Consumer Affairs in January 1971. The two local offices that were set up then accomplished a great deal. Viewed initially as an experimental demonstration project, these offices have become institutionalized as part of the Department of Consumer Affairs

operations. Perhaps no better testimonial to this approach exists than the fact that these local offices have already been "imitated" in that the Department of Consumer Affairs has opened within the past six months two more offices, one in East Harlem and one in West Harlem. The Harlem offices have been funded by Model Cities grants and the very fact that they were set up attests to both the need for such offices in low-income areas and the adequacy of the model provided by the first two offices that were funded by a grant from L.E.A.A. On the basis of their first months of operation it would seem that the Harlem offices will have even a bigger impact than the office on the Lower East Side. Thus the East Harlem office, which opened May 1, 1972, has already contributed to refunds and debt cancellations totalling \$97,000, and the comparable figure for the West Harlem office is \$43,000.

In the June report several recommendations were offered, some of which have been carried out. For example, it was suggested that the Forest Hills office be moved to a lower income neighborhood and the main office has been moved to Jamaica, with the Forest Hills office being maintained only by a consumer investigator, aided by volunteers. It was also suggested that funds be made available to add district attorneys who would specialize in prosecuting complaints generated by the local offices. The renewal grant provided funds for a district attorney to be added to the Queens D.A.'s office and one to be added to the Manhattan D.A.'s office for this purpose. The report also mentioned the need for more consumer investigators and adding another lawyer to each local staff. On the basis of our observations and interviews with the directors of the Complaint

Centers several more recommendations for improving the effectiveness of local offices can now be made.

1. Increasing the Number of Consumer Specialists

We have noted that the new occupational type--the consumer specialist--created by these Complaint Centers has proven to be extremely successful. Within a short period of time, the consumer specialists are able to learn a great deal about the laws and regulations governing consumer matters and they have been extremely successful in resolving consumer complaints more or less on their own, that is, without the constant attention of the lawyer in the local office. In the previous report, it was urged that funds for hiring more consumer specialists be made available and the same request is again being repeated. Both directors have reported that they could each use several more consumer specialists and if plans are not already afoot to provide them with these persons then certainly increasing the number of consumer specialists is a top priority.

2. Providing the Offices with Inspectors and Adding Another Hearing Officer

The Forest Hills office, which handled a large number of home improvement complaints, felt the need for a Departmental Inspector specializing in the home improvement field assigned to their office. As all home improvement firms must be licensed, such an inspector has the authority to issue summonses for hearings that could result in the suspension of licenses. The Forest Hills office was handicapped because it did not have the requisite authority to revoke the licenses of these home improvement firms. The move of the main Forest Hills office to Jamaica may

result, if anything, in an increase in home improvement complaints because Jamaica is a community in which a large number of working-class and low-income families own their own homes. Moreover, should this not amount to full-time work for the Inspector assigned to the Complaint Center, he could police the community issuing tickets to merchants for violations of Departmental regulations, such as rules about price tags, and the truth in lending code. As noted, the Lower East Side office is convinced that its ticketing campaign in the early weeks of its existence, before the volume of its business increased, had a major deterrent effect on the merchants, at least in the sense that it made them more ready to negotiate and settle complaints. The Lower East Side office soon found itself too busy to continue the ticketing campaign and the Forest Hills office never did have time to carry out such a program with the result that a potentially powerful weapon against consumer fraud was greatly underused by the local offices. By adding more consumer specialists and especially a Departmental Inspector to each Complaint Center, the issuance of violation summonses could be institutionalized on a regular basis. It would then be possible to provide a definitive test of the deterrence theory, for if the Lower East Side experience is correct and can be generalized, the number of violations would steadily diminish as the ticketing campaign progressed.

Manpower to carry out the ticketing campaigns is only half of the problem, however. Each ticket requires the merchant to appear at the Department of Consumer Affairs for a hearing, at which time he may or may not be found guilty and fined. The Department of Consumer Affairs currently has but one hearing officer, a man already heavily burdened with

hearings stemming from the work of the department's many inspectors checking on food stores and other licensed dealers. Thus for ticketing campaigns by local Complaint Centers to be effective it is necessary not only to have people capable of going out and inspecting local merchants, but it is also necessary to add another Hearing Officer to the staff of the Department of Consumer Affairs. In future budgets for the local complaint centers, every effort should be made to add at least one Hearing Officer to the Department of Consumer Affairs.

3. The Need for a Public Relations Officer

The Lower East Side and now the Jamaica office (as well as the Harlem offices) are serving the needs of relatively low-income communities. The underlying premise of Complaint Centers in such communities is that the relatively poor require outreach programs for they tend to be unaware of their rights, unaware of violations of those rights and unaware of the agencies that can be of help to them in protecting their rights. As noted in earlier progress reports, the Lower East Side Director spent a good deal of time initially addressing local groups and making them aware of his office. This activity continued, less intensively, throughout the year. In addition, the Lower East Side office felt a dual need to inform its constituents of its victories and to learn from them whether the assurances of discontinuances they had obtained were effective, that is whether the merchants were abiding by the stipulations.

This need for a two-way flow of information--information from the Complaint Center to the community and feedback from the community to the Complaint Center led the Director of the Lower East Side office,

Mr. Dan Shanahan, and his superior, the Director of the entire decentralized Complaint Center program, Mr. John Howland, to engage in a variety of public relations activities. They initiated a weekly column in the Spanish press, describing their successes and urging the readers to report any violations of the assurances obtained. They also obtained radio and TV time for spot announcements of the existence of the Lower East Side office and its functions and of some of its victories. Coupled with addresses to community groups, these public relations functions constituted a considerable drain on the time and energies of the Lower East Side director. Given the need for the two-way flow of information to insure the success of these Complaint Centers, it would seem critical to supply these offices with the services of a skilled public relations person, one who could perhaps meet the communication needs of both the Lower East Side and Jamaica offices. Whether each office should have its own public relations officer or whether one person can meet the needs of both offices would seem to be an empirical question.

In sum, in the judgment of the evaluators, the decentralized Complaint Centers program has been effective in protecting consumers especially those in low-income neighborhoods and can be made even more effective as cooperation with District Attorney offices increases and as more personnel of the types described above are made available. Through major investigations, ticketing merchants for violations, the development of departmental regulations and criminal prosecutions of the perpetrators of widespread consumer fraud, the local Complaint Centers are and will make a significant contribution to the battle against one form of white collar crime. But

apart from this major mission, the local offices can easily be justified simply in terms of the role they play in resolving individual consumer complaints. To the person who has been victimized by a defective repair, shoddy merchandise, unconscionable charges and delayed deliveries, it is a great comfort to find a branch of government within the neighborhood ready to help resolve his problem. It is in such fashion that citizens of our complex impersonal urban centers have their faith in government restored.

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