

**Statement of Chairman Frank Pallone Jr.
Committee on Energy and Commerce
Subcommittee on Consumer Protection and Commerce
Hearing on “Safeguarding American Consumers: Fighting Scams
and Fraud During the Pandemic”**

February 4, 2021

As our nation continues to confront the unprecedented public health and economic crisis resulting from the COVID-19 pandemic, we are now seeing the rollout of powerful tools to help us contain the virus – safe and effective vaccines. While these vaccines provide real hope, new variants of the coronavirus are now spreading that are highly transmissible. For consumers, these new strains are causing renewed panic, a fresh scramble for personal protective equipment, and intense demand for vaccine appointments. For scammers and fraudsters, this is exactly the kind of fear and desperation they seize and thrive on.

The COVID-19 pandemic has completely upended American life, pushing so many aspects of consumers' lives to the online realm, where fly-by-night businesses are just a click away and fraudsters can easily assume different identities. These con artists pose real threats to consumers' health, safety, and financial well-being, to say nothing of the emotional trauma and embarrassment.

Unscrupulous sellers are sophisticated on social media, flooding feeds to drive traffic to their suspect goods, including counterfeit and substandard personal protective equipment, sham testing kits, and bogus cures. But the products they are selling can endanger one's health and their online stores may just be a front to scam consumers. The number of reports about scams originating on social media has more than tripled in the past year.

These scams have been particularly harmful to older Americans and senior citizens, who have gone months with little interpersonal contact and support. This isolation has left them particularly vulnerable to fraudsters. For example, online puppy scams and romance scams have risen precipitously during the pandemic.

Some of the worst fraudsters are the identity thieves stealing stimulus checks and unemployment benefits from those already struggling to pay their bills and feed their family. To make matters worse, these people are often also targeted for fake employment scams, deceptive income schemes, and unwise investment solicitations.

I want to applaud Chairwoman Schakowsky and Congressman Bucshon for their bipartisan work in giving the Federal Trade Commission (FTC) new authority to seek civil penalties for COVID-

19 scams and deceptive practices in the 2021 omnibus. This provision will empower the FTC to dole out real consequences to bad actors that prey on consumers during these especially challenging times.

Since the beginning of the pandemic, consumers have reported losing more than \$300 million in just pandemic-related fraud.

A core part of the FTC's consumer protection mission is returning money to consumers that was unlawfully taken from them. Last year, the FTC successfully returned more than \$400 million back to consumers that had been lost to fraud.

But the FTC's ability to make victims whole is under threat in the Supreme Court. With this looming threat, it is critical that the FTC step up its efforts to protect consumers. Former FTC Chairman

Joseph Simons may have helped insulate the agency from some of the worst that came out of the Trump Administration, but to effectively combat scammers, the agency needs to show its teeth.

Since the beginning of the pandemic, the FTC has issued numerous warning letters to companies allegedly selling unapproved products that claim to treat or cure COVID-19. But warning letters are nothing more than a slap on the wrist and do nothing to help consumers who may have already been harmed. Over the objections of Democratic Commissioners, the FTC also settled case after case, failing to hold individual executives accountable or seek sufficient monetary penalty. And the FTC failed to initiate rulemakings that could help the Commission efficiently pursue civil penalties.

I look forward to hearing from our expert witness panel on what must be done to meaningfully combat scammers and protect consumers.

Thank you, and I'd like to yield my remaining time to Congressman Cárdenas.