Inflation Hits FTC Penalty Amounts

Contributed By
Mackenzie Frerich, CECP, CIPP/US, Consultant, CompliancePoint

As a result of inflation, the Federal Trade Commission (FTC) has finalized amendments that will raise the maximum civil penalty from $16,000 to $40,000 per violation. That's quite a jump! The adjusted penalty amount will take effect on August 1, 2016 and applies to violations of Section 5 of the FTC Act, which gives the FTC broad authority to prohibit "unfair or deceptive acts or practices."

How does telemarketing fit into all of this?
The Telemarketing Sales Rule (TSR) was adopted in accordance with the Telemarketing and Consumer Fraud and Abuse Prevention Act (TCFAPA). Specifically, the TCFAPA provided the FTC the regulatory authority to adopt and enforce telemarketing regulations, such as the TSR:

"The Commission shall prescribe rules prohibiting deceptive acts or practices and other abusive telemarketing acts or practices."

Under the TCFAPA, any violation of the TCFAPA and therefore, the TSR, is a violation of Section 18 of the FTC Act. Section 18 of the FTC Act provides the FTC the authority to adopt unfair and deceptive acts or practices regulations to implement the provisions of Section 5 of the FTC Act. In a nutshell, a violation of the TSR is equivalent to a violation of the unfair and deceptive acts or practices regulations and is, therefore, subject to the newly adjusted maximum penalty of $40,000 per violation.

CLICK HERE to read the full article that what companies should specifically pay attention to avoid the effects of these penalty changes.

For questions regarding this penalty increase or how to implement policies and procedures to ensure your business does not put itself at risk of exposure to these significant fine amounts, feel free to reach out to us at consulting@compliancepoint.com or (855) 670-8780.