

New FTC Settlement Targets Fake Ratings and Reviews

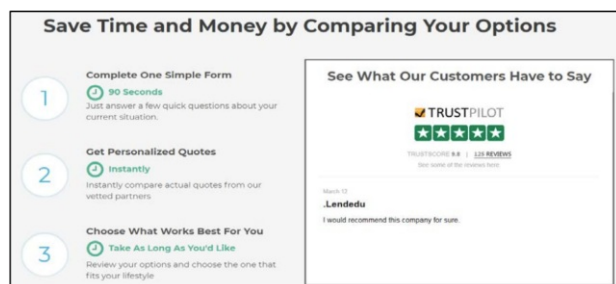
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Yesterday, the FTC announced that it had reached a settlement with LendEDU and three of its officers over misleading ratings and reviews.

LendEDU runs a website that compares student loans and other financial products. Although they advertised that the ratings are on the site are “completely objective and not influenced by compensation,” the FTC argued that this wasn’t true. Instead, LendEDU based rankings on how much companies paid them per click. After LendEDU became aware of the FTC investigation, it added a disclosure suggesting that the money it receives from companies may affect their ratings, but the FTC found that was not sufficient.

The FTC also investigated the reviews about LendEDU’s that appeared on third party sites, such as Trustpilot. It determined that 111 of the 126 reviews that appeared on Trustpilot were actually written by LendEDU employees or their friends or family members. LendEDU highlighted some of these fake reviews on its own site, with headings such as “See What Our Customers Have to Say.” And, to make things worse, the company made up testimonials from non-existing customers and posted them on its site.



The proposed settlement would prohibit the company and its operators from making the same types of misrepresentations cited in the FTC’s complaint. In addition, the company is required to pay \$350,000. Andrew Smith, Director of the Bureau of Consumer Protection, said: “These misrepresentations undermine consumer trust, and we will hold lead generators like LendEDU accountable for their false promises of objectivity.”

Although this case shouldn’t hold any surprises for readers of this blog, it demonstrates that the FTC continues to be focused on the issue of fake reviews.