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ON THE CONSUMER CREDIT DIVISION

Speech by Robert Morgan
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ON THE CONSUMER CREDIT DIVISION

I must say that I am flattered by your invitation to be here today with the members of the Consumer Credit Division of the North Carolina Bankers Association and to have a small part in your program. Your President, Harry Gatton, who so kindly invited me, suggested that I might want to talk about our proposal to establish a consumer protection division in the office of the Attorney General. I am delighted to have this opportunity to do so, for I believe this is a problem which the people of North Carolina are rightly concerned about and which those of us in positions of public trust have an obligation to do something about.

I would like today to solicit your support for this program. I would like to be able to talk about our consumer protection program, not my consumer protection program. I realize that you might have some hesitancy about embracing such a program without first knowing what my ideas are.

I am reminded of the story about a young bachelor banker who had just hired an attractive young housekeeper.

The first day at work she came into the den and asked,
"Sir, shall I clean your rug and dust your books today?"

The young bachelor, being a democratic sort,
said, "Margie, in this house we are all for one and one
for all. You do not say 'your rug' and 'your books',
you say 'our rug' and 'our' books.'

That evening the bachelor had the President of
the bank and his eligible young daughter over for dinner,
and of course our bachelor was eager to please. But,
Margie was late serving the last course.

Suddenly she rushed into the room with the dessert,
all out of breath, and announced, "I'm sorry I was late,
Sir, but I was upstairs in our bedroom chasing a mouse
under our bed."

Needless to say, I don't want to propose a program,
label it "our program" and, then, cause you that kind of
embarrassment. And there is no need to, for I believe that
most of you know me as a strong supporter of the free
enterprise system and one who believes that a free market-
place is as precious to the welfare of man as a free polling
place.

But, at the same time, we must realize that the days when the only rule of the market place was "Caveat emptor" have now passed. It is not difficult to understand why. When our forefathers grew their own food and made their own clothes and transacted their few business dealings with their immediate neighbors, perhaps the exhortation "let the buyer beware" was sufficient. In those days it was the philosophy that the law had no obligation "to protect a fool from his folly." The peddler and the farmer stood at arm's length and dealt with each other on a one-to-one relationship.

Modern day business with huge corporations and persons soliciting from afar is a long way from the country store and the county fair. We now deal in a marketplace where the buyer has access to a million products which he can neither pinch nor squeeze nor measure.

And the potential for wrongdoing has surpassed anything anyone could ever have dreamed of.

Fortunately for all of us, most of the persons we deal with in the marketplace are fair and honest men, seeking only a reasonable profit and a fair return on their investment, based on honest dealing with the consuming public.

They believe that customers respond to good treatment and that they will come back again and again to stores and companys that give a dollar's value for a dollar spent - that treat them with courtesy and dignity - and who make sure they are satisfied with their purchases.

These honest sellers, who are the great majority, believe in the free enterprise system and know that if the people are to maintain their faith in it and our country is to remain strong, the system must be free from corruption and wilful deceit. We also know this to be true.

I know that you as reputable members of the business community are even more keenly conscious than I that fraudulent business practices not only create hardships for the customer, but stifle economic growth, cheat the business community out of legitimate sales, breed disrespect for law and justice, and destroy the citizen's faith in our own form of government.

We certainly cannot afford to tolerate such practices if liberty and justice are to prevail in our land.

So it is because of our concern for keeping our form of government strong, for maintaining an effective

economic system, and for making sure that the individual citizen is protected in situations where he is unable to protect himself that we have proposed a consumer protection program and a division in our office to carry it out.

Such action should have been taken long ago. We discovered just the other day that one corporation headquartered outside North Carolina, who we contend has dealt unfairly with the people of our State, has an income of several million dollars annually and that the major portion of their business has been conducted in North Carolina. They gravitated to our State because we have failed to show active concern and have therefore failed to head off such questionable operations before they took millions of dollars out of our pockets, out of the State, and out of our local economy. Our people have been victimized time and time again by fast-buck artists who could care less that they leave a trail of mortgaged homes, bankrupted citizens, and worthless merchandise in their wake. And if anyone doubts this has occurred, I wish they could see the letters which have poured into our office since the first of January.

The thing which is so pathetic is that the persons victimized by the unscrupulous operator most often are those who can least afford it - the poor, the aged, the ignorant, the desperate. I must confess that there is little

compassion in my heart for those who prey upon the weak. I believe we should make sure we provide a climate in our State so that in fact "the weak can grow strong and the strong grow great," rather than by our inaction allowing the weak to be victimized and made even more destitute by those who do not hesitate to prey upon them.

Tell me how the wife of a disabled Korean War veteran can teach her children to respect our way of life when she has seen her meager savings taken from her by salesmen who promised to make her home more livable and storm-proof, but instead gave her shoddy workmanship, then left the State and their victim so unreasonably obligated to a financial institution in charges that she and her family were eventually evicted. I believe it is almost impossible.

I believe it is impossible for our people to look around themselves and see chain referral selling schemes abounding - some people growing rich overnight, but most losing tremendous sums of money - and not have their faith in the free enterprise system severely shaken. During the past several months, the people of North Carolina have been flooded by these get-rich-quick deals, enticing them to gamble their life's savings in chain-letter type transactions.

Our people have seen the perpetrators of these selling schemes use words such as "stock," distributor," "founder," "Supervisor," and "dealer" - words they have always associated with legitimate business enterprises become words which sharp operators use to destroy normal caution and persuade them to part with their money with no reasonable assurance for a fair return. Almost without exception, more misfortune than profit has been reaped. Again, letters in our office are ample proof.

So it is easy to see how difficult it makes the jobs of those of us who are engaged in honest business, when the words so long associated with our professions suddenly become tools of deceit.

Public faith in the business community cannot remain unshaken under such circumstances. And our economic system cannot survive without this important element of public faith and trust.

It is imperative, therefore, that we move quickly and move effectively to protect the consuming public from such schemes and stem the rising tide of suspicion which has engulfed legitimate businessmen as a result of such activities.

North Carolina has fallen behind in this area but we are racing to try to catch up. Already we have strained a tight budget in the Department of Justice to hire a new Deputy Attorney General to organize and supervise a Consumer Protection Division. We were indeed fortunate, I think, to obtain the services of Jean Benoy, who has considerable experience in this area. He has taken action to stop the spread of chain referral selling schemes, many of which we contend have been violating North Carolina Security Laws.

At the same time, we have continually conferred in order to make sure that in our efforts to protect the consuming public we do not infringe upon the rights of honest businessmen.

Without question, vigorous consumer protection is a plus factor to business and the economy of the State. Honest businessmen should be spared the suspicion and the pointed fingers which result where unscrupulous operators invade the marketplace and bring the entire business community into disrepute. And consumers from all walks of life must be spared heartbreak and financial disaster resulting from dealing with purveyors of get-rich-quick schemes. So ours must be a two-fold concern, and our actions must be guided by standards of fair play, respect for legitimate business and concern for protecting our citizens in circumstances where they cannot well protect themselves.