

***Regulatory Oversight* Podcast — Understanding BBB Ratings: Strategic Approaches to Consumer Complaints**

Host: Stephen Piepgrass

Guests: Michael Yaghi and Daniel Waltz

Aired: August 19, 2025

Stephen Piepgrass:

Welcome to another episode of *Regulatory Oversight*, a podcast dedicated to delivering expert analysis on the latest developments shaping the regulatory landscape. I'm one of the hosts of the podcast, Stephen Piepgrass, and I lead our firm's regulatory investigation, strategy, and enforcement, or RISE, practice group.

On our podcast, we try to highlight insights from members of the group, including our nationally ranked state AG's practice, as well as guest commentary from industry leaders, regulatory specialists, and current and former government officials. Our team is committed to bringing you valuable perspectives, in-depth analysis, and practical advice from some of the foremost authorities in the field today. Before we begin, I encourage all our listeners to visit and subscribe to our blog, [RegulatoryOversight.com](https://www.regulatoryoversight.com), to stay current on the latest in regulatory news.

Today, I'm again joined by my colleagues, Mike Yaghi and Dan Waltz, both of whom are members of our RISE practice group, as we bring you the second of our special two-part series on the Better Business Bureau, or BBB. In this final episode, we'll explore the intricacies of BBB grading and its impact on your company. We'll discuss effective strategies for managing and improving BBB ratings. We'll have a little conversation around the potential role for AI in complaint management and talk about how businesses can navigate the accreditation processes, while also considering the effects of regulatory actions on BBB ratings.

As you may recall, Mike is a partner in our Orange County office and represents clients in regulatory enforcement investigations involving all facets of their business. He leverages his experience with the BBB to assist clients in enhancing their relationships with both regional BBBs and the Council of Better Business Bureaus, or CBBB.

Dan is a former Illinois assistant attorney general and leverages his knowledge of the government to handle complex regulatory investigations, inquiries, and other regulatory matters at the federal, state, and local level. And together, Mike, Dan, and I often work together on BBB matters.

Mike and Dan, thanks again for joining me today, and I'm excited to continue our conversation on the BBB and how the ratings could impact companies.

Michael Yaghi:

Thanks, Stephen. Yeah, it's great to be here with both you and Dan.

Stephen Piepgrass:

Absolutely. Why don't we kick things off as we previewed in the intro by talking a little bit about managing BBB ratings? I know that's something that is probably top of mind for our clients and something we've had a lot of experience doing. Mike, do you want to kick us off with just a quick overview of how we try to go about managing and helping businesses improve their BBB ratings?

Michael Yaghi:

Yeah, thanks, Stephen. The rating is heavily factored on things that the BBB will minus from a 100% score, right? I think we talked about this last time, where companies start with a 100% score, and then different things that take place in the marketplace cause the BBB to deduct points from that score. And one of the big areas where points are deducted is for consumer complaints and the volume of consumer complaints viz a viz the size of the company, sales of the company, and sort of the industry. And so managing the complaints that come into the BBB in a very timely manner and ensuring that they're resolved and/or don't go unresponsive to, right? It's important for companies to respond to those complaints and try to address them.

And addressing them doesn't necessarily mean giving the consumer what they're asking for, right? It's just addressing their concerns and really keeping the BBB in the loop on doing so. And the goal there is to avoid having the BBB think you're either ignoring consumer complaints or not responding to them in a substantive way. That's an easy way to sort of stay current on complaints and ensure that nothing is slipping through the cracks and addressing those.

We like to get very practical with our listeners here. And one of the things that Mike, and Dan, and I have done is worked with companies to streamline their BBB complaint handling process, make sure they have a very, very clear way of handling complaints, that they have the right training in place for the folks who are really on the front lines of responding to those complaints. And this is something Dan, I think, you could address. Also, sort of understanding categories of complaints and how that can be used to more efficiently and effectively manage the complaints as they come in and get answers out. Can you talk, maybe, Dan, a little bit about how you've done that? Coming alongside a business, working with them to capture their complaints, and then categorize them and manage them, or respond to them in an efficient way?

Daniel Waltz:

Yeah, that's absolutely right, Stephen. When a consumer leaves a complaint about a business on the BBB website, that consumer fills out a form. It's an online form that various aspects of it are a pre-text, and there are various aspects of it that are pre-populated pull-down menu type complaints. And so the BBB provides consumers with – I think it's 12 categories of complaints, ranging from things like the quality of the product, customer service issues, delivery issues, things like that. Sort of typical complaint categories for consumers.

And so these don't always match up with a company's business. For example, maybe the company does online orders exclusively. And so some category relating to a company's mail order response doesn't necessarily apply. Or maybe the company isn't necessarily in a business where collections are an issue. Sometimes these categories don't necessarily line up, which is

why it's important for our clients and for companies that are interested in managing their BBB profile to actually go in and make sure that they're reviewing the complaints that are available on the BBB website.

And the importance of that is because you get one complaint here and there, and maybe it doesn't signal a deeper problem. But when you're looking at complaints in volume, when you're looking at complaints over time, companies can begin to realize issues, customer relationship issues, issues that might be of interest to the plaintiff's bar if there was litigation, or issues that might be interesting to regulators. It's a reflexive action to go and review complaints that have been already filed, but it can also help a company identify issues and proactively address those so they're not a bigger problem in the future. And the BBB website is typically very good for companies who are interested in viewing that information kind of at a good scale.

Michael Yaghi:

Yeah, I want to add to that, actually. Because, I think, Stephen, you touched on training, which ties right into what Dan said, right? It's important, I think, for companies to look at how they're managing and addressing BBB complaints to ensure nothing's slipping through the cracks, right? You might have sort of like a BBB employee who's the lead, right, that deals with BBB complaints, but they all often have to work with other departments and other groups to resolve things, right?

If there's a breakdown in that process where maybe certain complaints aren't being addressed sufficiently, that's an issue. Or they're being addressed sufficiently, but maybe it's not getting communicated to the BBB. So the BBB thinks it's sort of an open-ended, or unresolved, or a complaint that went unanswered. So it's important because we've seen this in many contexts where it's not any company doing anything wrong, right? It's just a matter of – like every other aspect of your business, you want to stay on top of sort of what is the process? Is it bulletproof? Are we addressing everything? Are things not slipping through the cracks? Because we've seen that happen where complaints are being addressed timely and they're being resolved, yet it's not, for some reason, communicated to the BBB. So the BBB has a different view of reality than the company. And it's something so simple that if you just fix it internally, you're going to avoid having sort of stale unresolved complaints that dock your rating and give you a really bad rating or a lower rating.

Stephen Piegrass:

That's a really interesting point, Mike. I think what you just described is something that I'm always surprised about when we deal with clients in their BBB ratings. It's the blind spots we uncover. I mean, just trying to go through the process of training and addressing those issues, it is common for us to identify blind spots the company wasn't even aware of, and to address those blind spots in a timely manner. It's a very valuable exercise.

Michael Yaghi:

Yeah, that's important to managing a company's rating, for sure.

Stephen Piepgrass:

Yep. And their relationship with the BBB overall. I'm sure a lot of our listeners who are tuned in on the regulatory front were hearing Dan describe the process of going through vast quantities of complaints, and categorizing them, and coming up with responses to them. And many of our listeners' minds might have thought immediately, "Well, wait a minute, is there a role for AI to play here?" And that's actually something that we've been thinking a good deal about, especially when you're dealing with large companies that get very large numbers of complaints. Just like with any regulator, sometimes complaints can be completely legitimate, submitted by customers who have real issues, but sometimes the complaint process can be abused.

One of the ways that I think, in the future, AI could be used is to really drill down and see whether there is any abuse of the complaint process going on. I'm sure that's something that the BBB is thinking about. Whether they have any current plans to implement any sort of AI solutions around that, I don't know. But it's something that companies who are interested in using AI, I think, should absolutely be thinking about just to figure out what is it – once you start to see patterns of complaints, are they real complaints? Are they complaints that are being really ginnyed up to gain an advantage in the marketplace or for whatever other reason? Because that is something that we have seen as we've worked with clients in this space.

One of the things, Mike, that I thought would be good for our listeners to hear, you talked a little bit about the complaint resolution process, the fact of how important it is to the grades to resolve complaints and address them and not leave them unaddressed. But another piece, and in this instance, it's really unavoidable in some cases, are the impact of regulatory actions on your BBB rating. Can you talk a little bit about that? Because, really, this is how we all got introduced to the BBB. Many of us who work in the regulatory space, that's often how we first engage with the BBB is, "Well, wait a minute. What's going to happen if I sign a settlement agreement, and assurance of voluntary compliance, and assurance of discontinuance with this particular regulator? How is that going to impact my BBB rating?" Can you talk a little bit about that?

Michael Yaghi:

Yeah, I know. It's a good question, because the BBB addresses regulatory complaints or settlements of that nature sort of as another category to subtract from a rating score. You have consumer complaints directly to the BBB, but then you separately have any of these regulatory settlements, whether it's a consent judgment with the state AG or an assurance of voluntary compliance with the state AG. Those are other categories that the BBB has on their rating scale and will dock points from a company's rating when those settlements are announced.

And I think it's important – sometimes we've seen scenarios where you'll have – and for our listeners' sake, you have what we call multi-state investigations versus a single state investigation, which means a single state is when one state AG investigating company X and resolving an issue with company X. Multi-state investigation is when several states or all the states work together targeting company X and resolve a matter with company X.

And we've seen a multi-state settlement with a company would be often triggered as a single regulatory matter that would impact a rating. However, if you have like six single-state investigations that result in six separate settlements, that could be counted as six regulatory

matters impacting a company's rating. And that's important to really try to look at if you're a company that's dealing with those issues. You want to know, "Okay, is the BBB docking my rating score for six separate matters?" And if that's the case, are those six separate matters truly separate, or do they all stem from the exact same business practice?

And there's no guarantee what the BBB will do if it is all six separate matters. However, they all stem from one single business practice. In other words, they're very much the same issue. There's no guarantee you could go to the BBB and say, "Hey, we want to address this with you and try to get you to change your classification and how you're rating these matters." But we have had success in doing that. Meaning, we've been able to reach out to the BBB and explain to the BBB that they're counting separate regulatory matters as separate settlements to dock a client's score to reduce their rating. When, in fact, we believe that they were all collectively of the same issue and should be counted as one single regulatory matter, even though they're six separate settlements, for example. And we've had some success there.

Again, it's going to be on a case-by-case basis, but it's something important for companies to be aware of. And it's always better, right? You'd rather have one regulatory matter docking your score as opposed to six because that's a greater subtraction from your rating to get you down to a D or an F in some horrible rating. That's important to look at and be aware of.

Stephen Piepgrass:

And Mike, I'll give credit to the BBB on this. They are sophisticated. And the type of conversation around this that you need to have is one that stems from a deep understanding of both the factual and legal issues surrounding those ultimate settlement agreements that are reached, the six that Mike was using as an example. That may end up being the type of issue that makes its way up to the national BBB. Because, again, to give the BBB credit here, they really do try to take a common approach. Although each individual BBB is different and each one is tasked with rating the businesses that fall under it, the national BBB does provide a level of sort of common advice and a consistent approach to all of those local BBBs. And so this sort of conversation may be one that has to be elevated up to the national level. But if it is, that may be an area where folks like us are able to help businesses as they're dealing with ratings that maybe are lower than they should be.

Michael Yaghi:

Yeah. And I think that it's important to note that even when dealing with the regional BBB offices and our experience, they've all been very open to dialogue with us on behalf of our clients, right? I think they want to build relationships with the marketplace and build relationships with businesses, and improve sort of the complaint process, and how businesses handle them, and how they interact with the businesses, and how they fairly accredit and rate those businesses, right?

In our experience, we could say that it hasn't been adversarial. Right, Stephen and Dan? It's been more cooperative. It doesn't mean we all agree on everything all the time, but that's okay. That's the nature of sort of discussing some of these issues and trying to address them. But they're open to making sure that they're fair, and reasonable, and building good relationships with businesses because that's the best way to help consumers, right? To make sure that

everyone's sort of working together to make sure that accurate ratings are assigned to companies, that consumer issues or regulatory issues are adequately resolved, and graded, and rated correctly. And sort of not adversely impacting a rating or accreditation, but fairly making sure that they're rating it and grading it based on their policies and procedures. And sometimes having that dialogue is helpful in sort of addressing some concerns and bringing things to the BBB's attention and awareness. And they're open to that is my point. They don't put up a wall or refuse dialogue, and that's important.

Stephen Piepgrass:

Mike, I think one of the best ways to understand the BBB is to think about their motto, right, which is start with trust. And that means so many different things to them, and they embrace that. And it goes to exactly what you're saying. It's building consumer trust in the businesses that are interacting with consumers where the BBB is operating as sort of a mediator. But it's also helping the businesses that are part of the BBB to trust the BBB as well. Right?

There is a back and forth and a give and take here in any sort of membership organization like the BBB is where, really, that's their ultimate goal. And they have a real interest in being fair to the businesses that they're rating. And they do want to engage in a dialogue and come to a common understanding that is both doable for the business and also protects consumers in the end. I often think about that motto every time I'm talking with folks from the BBB, understanding that that's always in the background of what they're doing.

Daniel Waltz:

I like what you just said about mediators, Stephen, because it's so common for the BBB. Every BBB branch office has thousands of businesses. And for the most part, BBB only receives one side of the coin. They typically only receive the consumer complaints. And so when a business affirmatively reaches out – and I think we might have touched on this in our earlier podcast. When a business affirmatively reaches out to explain their side of the story, the BBB tends to be very receptive.

And those interactions with the BBB can go a long way because there are both objective and subjective factors. The objective factors being the number of complaints, the speed at which company deals with them. But then there are the subjective factors, the issues that are softer than just numbers. And that's where I think engagement with BBB, informing the BBB about the challenges the business faces and what the consumer complaints mean can really go a long way to improving the relationships between the BBB and the business in improving that rating.

Stephen Piepgrass:

I'd like to wrap up with where we started with this conversation on the last episode, which was where we talked a little bit about how the BBB is sort of a quasi-governmental organization, a quasi-agency, interacts with the regulator we often deal with the most, the state attorney general. And I think there's a very helpful example of this that came out recently, which is the Arizona AG's office.

Attorney General Kris Mayes partnered with the Better Business Bureau there in Arizona and did a series of videos that are available on YouTube with Joe Ducey, who is the Associate VP for Public Engagement for the BBB there in Arizona. And they talked about a number of different areas that are of interest to consumers. They did one on fraudulent celebrity scams focused on AI issues. Very different use of AI than what we were talking about previously, but something AGS are very interested in. Talked about moving scams. The types of scams that people sometimes get caught up with when they're over a barrel with movers and, suddenly, the price changes on the part of the moving company who's also happens to be holding your furniture and their truck. And how you deal with a situation like that?

They talked about crypto scams. Another area that the AG's focused on. AG's in general are very focused on crypto issues. And all of these different YouTube shorts that they did together, I thought, were very interesting. But it also really demonstrated how often AG's offices operate hand-in-hand with the local better business bureaus in their states. And they take that relationship very, very seriously. And I think that's a really good example of why it's in company's best interest to take their relationship with the BBB seriously as well.

Yes, they're they are a private membership organization, but they have the ear of the state attorney general in each state, and they do for good reason. Because they interact and are often the primary recipient of consumer complaints that may also be going to the AG, and often will coordinate with AG's offices in resolving and addressing those.

Well, any final thoughts before we wrap up on that or any other BBB-related subject?

Michael Yaghi:

Yeah, I think you really touched a very critical point. We've been talking about the BBB rating of companies and maintaining a good rating and/or maintaining accreditation. You touched on an important factor, which is BBB's relationships with state regulators and working with state regulators, like you noted with Arizona, and issuing these sort of videos on YouTube to help consumers understand some common scams, right, that the BBB and the states are seeing.

I think it's important to understand, too, for companies that keeping a good rating and accreditation helps minimize how regulators could use a bad grade or a non-accreditation in an investigation against the company, and private litigants in threatening class actions and other matters. It's important to understand that it's not just, "Hey, we have a good rating. So, consumers like it." It's also saying we don't have a bad rating or a lack of accreditation, where regulators, and private plaintiffs, lawyers can use and try to use against the company. So, there's a lot of benefits in sort of spending a little bit of time making sure that you're handling these issues and complaints in a timely, effective manner to minimize those issues and potential exposure as well.

Stephen Piepgrass:

And Dan, we'll will give you the last word. Any final thoughts on the BBB for our listeners?

Daniel Waltz:

I think this podcast and the last podcast we did, Stephen, emphasized the importance of engaging with BBB. If there are any ratings concerns or issues in terms of what's occurring with a company's BBB profile, an open dialogue with the assistance of counsel, if necessary, is probably the best way to go about doing that. And BBB is generally open to those conversations. So, it's an often overlooked aspect that can have significant real world improvements for companies.

Stephen Piepgrass:

Well, thank you. Really appreciate it, Mike and Dan. Thanks for joining me and sharing your perspectives on the BBB. I really enjoyed the discussion, and I hope our listeners did as well. And thank you to our listeners for tuning in. Remember to subscribe to this podcast on whatever platform you use. And we look forward to having you join us again next time.

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