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Better Business Bureau starts rating businesses with letter grades

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President and Chief Executive officer Angie Barnett of the Better Business Bureau of Greater Maryland. (Baltimore Sun photo by Jed Kirschbaum / January 31, 2007)

Recently, the Better Business Bureau scuttled its system of rating businesses and replaced it with letter grades.

Instead of a "satisfactory" or "unsatisfactory" rating, the BBB now issues grades F to A+. The BBB says using letters makes ratings easier to understand.

But the change has sparked controversy across the country. The only way to achieve the highest grade of A+ is if you are a paying member of the BBB. That has raised questions whether the new system is a case of "pay to play." Annual membership ranges from about \$400 and up.

The BBB ratings have never been foolproof, and good scores don't mean consumers won't run into problems. The new grading system is well-meaning and allows the BBB to give more nuanced ratings than the old one. Still, you would want a grading system that would be free of any possible claim of bias, and that's where the BBB's new system falls short.



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Susan Grant, director of consumer protection for the Consumer Federation of America, says it is helpful to know whether a business is a BBB member. But she says it might be better to signal that with a gold star.

Angie Barnett, president of the BBB Greater Maryland, defended her organization, saying it is only fair to give accredited members a better grade. Companies that become BBB members, she says, "agree to a higher standard of business performance and business practices than nonaccredited businesses" and should get credit for that commitment. The BBB uses 16 criteria for assigning a grade, with more weight given to issues relating to customers' experiences, such as complaints, the pattern and severity of them, plus government actions against the business, Barnett says.

Still, some grades are questionable.

Baltimore brokerage Ferris, Baker Watts Inc. was recently rated an "A," with no complaints during the past three years and no information on any government action. Yet, Ferris has been embroiled in a trading scandal that contributed to the sale of the brokerage last year and landed a former client and his broker in federal prison. The Securities and Exchange Commission last month fined Ferris \$500,000 and ordered it to return \$300,000 in ill-gotten gains and interest.

Barnett blames human oversight for failing to note the government action and says the brokerage's grade is under review.

Some consumers also might be surprised to see that [Baltimore Gas and Electric Co.](#) rates an A+. BGE received 48 complaints during the past three years, and all have been resolved or closed, reports the BBB.

At the Public Service Commission, it is another story. According to figures through last week, the regulator received 3,349 complaints for this year. The BBB doesn't accept regulatory complaints, which is why they don't show up in the group's records, Barnett says.

(Full disclosure: The Baltimore Sun rated a C- with five outstanding complaints.)

This is not to suggest that you should not check with the BBB before doing business. Look to other sources, such as regulators and consumer protection agencies.

Numerous complaints or reports of how a company deals with them can signal how you will be treated. "The fact that there are no complaints doesn't mean that there have been no problems," says Consumer Federation's Grant. "It means there are no problems reported."

And even good companies, she says, can suddenly run into trouble and become unable to keep promises.