

# BBB RATINGS SYSTEM

## I. Introduction

The BBB rating is a grade based on a proprietary formula that uses information known to BBB and incorporates BBB experience with the business. The formula evaluates numerous categories of information, and reflects BBB weightings as to the relative importance of each category. This rating represents BBB's degree of confidence the business is operating in a trustworthy manner and will make a good faith effort to resolve any customer concerns filled with BBB.

## II. Overview of ratings system elements

Businesses are rated on 17 elements.

This chart shows the maximum number of points that can be awarded or deducted for each element. Please note there are some elements where businesses can only lose points, and for those elements "0" is indicated as the maximum number of points that can be awarded.

<b>Element</b>	<b>Range of points that can be awarded or deducted (maximum to minimum)</b>
1. Type of Business	0 to -41
2. Time in Business	8 to -10
3. Competency Licensing	0 to -41
4. Complaint Volume	20 to 2
5. Unanswered Complaints	20 to -21
6. Unresolved Complaints	10 to 1
7. Serious Complaints	15 to 0
8. Complaint Analysis	8 to -12
9. Complaint Resolution Delayed	0 to -5

10. Failure to Address Complaint Pattern	0 to -5
11. Government Action	0 to -30
12. Advertising Review	0 to -41
13. Background Information	5 to 0
14. Clear understanding of business	0 to -5
15. Mediation/arbitration	0 to -41
16. Accredited Business status	4 to 0
17. Revocation	<u>0 to -10</u>
Maximum Available Points	90

### III. Overview of grading

Grades are determined by awarding and deducting points for each element and then looking at the resulting score as a percentage of the highest score attainable ("perfect" score). All ratings are expressed as a percentage of the "perfect" score of 90 points.

For example, scoring 90 out of 90 points = 100%. Scoring 88 out of 90 points = 97.77%. Scoring 80 out of 90 points = 88.88%.

The ratings system uses grades from A to F, with plusses and minuses. A+ is the highest grade, and F is the lowest.

This chart shows the grades that are assigned based on the percentage of the "perfect" score:

PERCENTAGE FROM	PERCENTAGE TO	RATING SYSTEM GRADE
97.00	100.00	A+

94.00	96.99	A
90.00	93.99	A-
87.00	89.99	B+
84.00	86.99	B
80.00	83.99	B-
77.00	79.99	C+
74.00	76.99	C
70.00	73.99	C-
67.00	69.99	D+
64.00	66.99	D
60.00	63.99	D-
0.00	59.99	F

## IV. Individual grading elements

### **A. TYPE OF BUSINESS (TOB) ELEMENT**

The CBBB maintains a master TOB list that assigns TOBs into one of 5 categories.

**Category 1** is assigned when BBB experience is that all businesses in these TOBs are believed to operate in violation of the law and/or materially misrepresent their products/services.

**Category 2** is assigned when BBB experience is that, because of the *inherent* nature of the products/services offered by businesses in these TOBs, the businesses are likely to generate trade practice concerns and/or a high level of customer dissatisfaction.

**Category 3 (Monitored)** is assigned to TOBs where BBB experience shows there may be problems. While no point deduction is automatically assessed against TOBs in the monitored category, BBB review of the practices of businesses in these TOBs may result in point deductions based on government action or advertising review.

**Category 4 (Standard)** is the default TOB assignment. There is no point deduction for this TOB.

**Category 5 (Not Rated)** is reserved for those TOBs for which BBB ratings are generally not relevant or appropriate.

Points are deducted only for Categories 1 and 2.

## **B. TIME IN BUSINESS ELEMENT**

Points are awarded or deducted based on the length of time the business has been operating.

## **C. COMPETENCY LICENSING ELEMENT**

Significant points are deducted when a company does not have a required competency license/registration.

A required competency license/registration is defined as a license or registration that:

1. Is required by federal, state, provincial, or local government agencies or authorities, **AND**
2. Meets *one or both* of the following criteria:
  - a. The licensee must pass a competency assessment to obtain the license, OR
  - b. The license may be taken away based on misconduct of the business.

Examples of required competency licenses/registrations include those required for:

physicians  
health care workers  
veterinarians  
attorneys  
electricians  
plumbers  
contractors  
real estate agents

Examples of licenses/registrations that are *not* a required competency license/registration are licenses required for tax purposes and occupancy permits.

## **D. COMPLAINT DATA ELEMENTS**

### **1. Overview of complaint data analyzed by ratings formula**

A business' complaint file with BBB comprises a major component of the ratings formula.

The ratings formula awards or deducts points based on the following factors relating to complaints closed by BBB in the preceding three years

Number of complaints received against the business;  
Number of complaints that are of a serious nature;  
Number of unanswered complaints; and  
Number of unresolved complaints.

Complaint data is analyzed according to the size of each business, which is covered in the following section.

### **2. Assigning size of business**

Businesses are assigned to a business size classification that is generally determined by the following criteria, with classification in accordance with the first factor for which BBB has reliable information:

Number of customers (on annual basis)  
Annual revenue  
Number of employees  
Number of locations

### 3. **COMPLAINT VOLUME ELEMENT**

Points are awarded or deducted based on a business' complaint volume in the three year BBB reporting period.

### 4. **UNANSWERED COMPLAINTS ELEMENT**

Points are awarded or deducted based on the number of unanswered complaints in the three year BBB reporting period.

### 5. **UNRESOLVED COMPLAINTS ELEMENT**

Points are awarded or deducted based on the number of unresolved complaints in the three year BBB reporting period.

### 6. **SERIOUS COMPLAINTS ELEMENT**

Points are awarded or deducted based on the number of serious complaints in the three year BBB reporting period.

A "serious complaint" is one that, in BBB's judgment, indicates *either*:

A significant ethical failure by the business, OR

A material failure with regard to the business' products/services that resulted in significant consumer injury.

### 7. **COMPLAINT ANALYSIS ELEMENT**

The "complaint analysis" is achieved by adding up the total number of unanswered, unresolved and serious complaints. Points are awarded or deducted depending on the total number of these categories of complaints in the three year BBB reporting period.

### 8. **COMPLAINT RESOLUTION DELAYED ELEMENT**

Points may be deducted based on the number of closed cases over the three year BBB reporting period with a delayed resolution.

### 9. **FAILURE TO ADDRESS PATTERN OF COMPLAINTS**

Points are deducted if the business, at the request of BBB, has failed to address the underlying cause(s) of a pattern of unusual or excessive complaints.

## **E. GOVERNMENT ACTION ELEMENT**

Government actions that are reportable (i.e., those that relate to business' marketplace activities) are evaluated for purposes of ratings. If the government action does not relate to marketplace activities, it is not considered for ratings purposes.

BBBs assign one of the following classifications to each reportable government action:

Major  
Moderate  
Minor

Classification of government actions is determined by BBB judgment in applying the following criteria:

#### 1. **Major government actions** are those that involve:

- a. Highly questionable or deceptive marketplace activities that are core to a business' sales or other business practices, AND
- b. Would likely cause reasonable consumers to question the ethics of business management or the business' reliability in providing products or services.

2. **Moderate government actions** are those that:
  - a. Do not meet the criteria for "major" or "minor" AND
  - b. Might cause reasonable consumers to question the ethics of business management or the business' reliability in providing products or services.
3. **Minor government actions** are:
  - a. Very minor reportable actions that are of a technical nature or insignificant in relation to the business, AND
  - b. Would not cause reasonable consumers to question the ethics of business management or the business' reliability in providing products or services.
4. **Evaluating whether reasonable consumers would likely question business ethics or reliability**

In determining whether a government action would cause reasonable consumers to question the ethics of business management or the business' reliability in providing products or services, BBB uses its judgment in assessing the following:

The nature (seriousness) of the violation;  
 The number of persons affected;  
 Whether there have been prior actions filed against the business and, if so, their nature;  
 Whether the conduct appears to have been caused or condoned by the business' top management; and  
 The business' actions with respect to resolving the underlying issue(s) that led to the action.

## F. ADVERTISING REVIEW ELEMENT

Advertising review cases occurring within the three year BBB reporting period are reviewed and classified for purposes of the ratings formula.

If the advertising review finds there is no problem with the challenged advertising, then the results of the advertising review will be classified as "no violation" and there will be no impact on the business' rating.

If the advertising review finds a problem with the challenged advertising, then BBBs will use their judgment in assigning a code designating the nature of the matter as "minor," "moderate," or "major" under the following criteria.

1. **The "Minor" Designation is applied when:**
  - a. The advertiser has been responsive to a minor, technical or inadvertent matter brought to its attention, and
  - b. No similar problem has been the subject of a BBB challenge in the last three years, AND
  - c. There is no significant misrepresentation that would cause BBB to seriously question whether the business intended to advertise untruthfully or in a way which would deceive or mislead.
2. **The "Moderate" Designation is applied when:**
  - a. The advertiser has been responsive to a minor, technical or inadvertent matter brought to its attention, but was challenged by BBB for a similar problem in the last three years; OR
  - b. The advertiser has failed to discontinue, modify or substantiate a minor, technical or inadvertent matter as requested by BBB; OR
  - c. At BBB's request, **the** advertiser modified or discontinued an ad containing significant misrepresentation that would cause BBB to seriously question whether the business intended to advertise untruthfully or in a way which would deceive or mislead.
3. **The "Major" Designation is applied when:**
  - a. The advertiser failed to take requested action in response to BBB notice that the business' use of BBB marks is not authorized; OR
  - b. The advertiser failed to modify or discontinue an ad containing significant misrepresentation that would cause BBB to question whether the business intended to advertise untruthfully or in a way which would deceive or mislead; OR
  - c. At BBB's request, the advertiser modified or discontinued an ad containing significant

misrepresentation that would cause BBB to question whether the business intended to advertise untruthfully or in a way which would deceive or mislead, when the business was challenged by BBB for a similar problem in the last three years.

## **G. BACKGROUND INFORMATION ELEMENT**

Points are awarded if BBB files include the following business information:

- Business Name
- Business Address
- Business City
- Business State
- Business Zip Code
- Business Public Phone Number
- Principal Name
- Date Established
- Type of Business

## **H. CLEAR UNDERSTANDING OF BUSINESS ELEMENT**

Points are deducted if, after review of the file, BBB does not have a clear understanding of the business. This may be done if any of the following criteria are met:

### **1. Inconsistent information as to the true business nature**

There are material internal inconsistencies as to the true nature of the business in information submitted to BBB by the business; OR  
There are material inconsistencies as to the true nature of the business between (a) information submitted to BBB by the business and (b) information submitted by consumers or found as a result of BBB investigation.

### **2. No valid street address**

BBB does not have a valid street address for the business.

### **3. Failure to validate information on request**

The business has failed to provide acceptable validation of file information, when requested by BBB, concerning the nature of its business or any other requested background information.

### **4. Insufficient information in file**

Upon review of the business' file, BBB does not understand what products or services are offered by the business.

## **I. MEDIATION/ARBITRATION ELEMENT**

Points are deducted if:

- The business has failed to honor a commitment to BBB mediation or arbitration; or
- The business has failed to comply with a BBB mediation settlement or arbitration decision.

## **J. BBB ACCREDITED BUSINESS STATUS ELEMENT**

BBB Accredited Business have been evaluated by BBB and determined to meet the BBB Code of Business Practices, which sets high standards for integrity and good faith efforts in dealing with consumers. BBB Accredited Businesses contractually agree to abide by these standards. BBB accreditation standards require, among other things, that the business commit to working with BBB to make a good-faith effort to resolve any complaints in a fair and timely manner, including mediation and/or arbitration if recommended by BBB.

Based on BBB's evaluation and the business' commitment to BBB standards, BBB Accredited Businesses receive 4 points in the ratings formula (out of a total 90 points that may be awarded) because of their accredited status. As a result, only BBB Accredited Businesses may be eligible – depending on their score for all other ratings factors – to earn an A+ rating. The highest rating that may be earned by non-accredited businesses is "A".

## **K. REVOCATION BY BBB**

Points are deducted if BBB revoked a business' BBB Accredited Business status within the past year.

## **V. Not rated file conditions**

A "No Rating" rating will be displayed under any of the following circumstances:

- A. BBB does not have sufficient current information about the company to issue a full report
- B. BBB report is either under review or being updated.
- C. BBB file indicates the business has filed for Chapter 7 bankruptcy.
- D. BBB file indicates the business is believed or confirmed to be out of business (OOB).
- E. The business' TOB type is Category 5 ("Not Rated").
- F. BBB issuing the report does not process complaints against the business, but rather refers them to another BBB.
- G. BBB determines a "No Rating" is appropriate because
  - 1. There are numerous pending complaints or one of more pending serious complaints, **OR**
  - 2. BBB believes the assigned grade does not represent an appropriate indication of the BBB's confidence that the business is trustworthy and will make a good faith effort to resolve any customer concerns.

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