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CASE STUDY · MARLUC SYNOPSIS

Rite Aid facial recognition ban

IMPLEMENTED 2012–2020 · RETAIL AND HOSPITALITY · US · BAND F · PARTLY PROVED

VERSION 1.1 · PUBLISHED 15 NOVEMBER 2026 · UPDATED 15 NOVEMBER 2026 · FACTS CHECKED 15 NOVEMBER 2026

The FTC alleged that Rite Aid's facial recognition system wrongly flagged shoppers as suspected shoplifters; a court-entered settlement bars it from such surveillance for five years.

ABOUT THIS SYNOPSIS

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Facts and figures are as reported by the sources listed below, which may be incomplete, self-reported or out of date. Check the original source before relying on any figure.

The impact band, proof marker and SEAM view are MarLuc's opinion. The organisation is not a MarLuc client and has not reviewed or endorsed this synopsis. Names and trademarks belong to their owners.

NOTICE WORDING LAST UPDATED 16 NOVEMBER 2026

AT A GLANCE

What went wrong: Unlawful or non-compliant use; AI output or malfunction.

AI used: AI facial recognition matching shoppers against a watchlist database, provided with two unnamed contracted companies.

Implemented: 2012–2020. Grade: band F, Failure, Partly proved.

Headline result, as reported: FTC settlement of December 2023, entered by a federal court in February 2024, bars Rite Aid from facial recognition for surveillance for five years; Rite Aid disagreed with the allegations

1 · The case

The facts, as reported by the 5 sources listed at the end. Where a source is silent, the field says "Not reported".

Organisation

Rite Aid. US pharmacy and retail chain. The FTC's complaint was filed in the US District Court for the Eastern District of Pennsylvania. Rite Aid filed for Chapter 11 in October 2023 and a second time in May 2025; all stores had closed by October 2025, per its website as reported. Canvas block: 8. Governance and risk. Also 4. Operations and process, 6. Data and technology.

Business challenge

The challenge. Rite Aid wanted to identify people it had previously deemed likely to engage in shoplifting or other criminal behaviour, to keep persons of interest out of its stores, per the FTC complaint.

Who implemented it

Two unnamed companies (Software vendor): Helped create the image database, per the FTC complaint as reported by Manatt.
The vendors are not named in the sources opened.

Technology (SEAM pillar E)

SEAM types: T8 Predictive / ML models. Deployment: Not reported. Vendors and products: Not reported.

Where it was built in: Cameras in stores matched shoppers against an image watchlist and sent match alerts by email or phone app to employees.

What changed

Before: store staff acted on facial recognition match alerts. After: the settlement bans Rite Aid from using facial recognition or analysis for security or surveillance in stores or online for five years, requires deletion of the images and any data, models or algorithms derived from them, and sets monitoring, notice, complaint and testing requirements for any future automated biometric system. A federal judge entered the stipulated order on 26 February 2024, per the FTC decision. [1] [2] [3] [4] [5]

Cost of failure

A five-year ban and mandated safeguards, including a third-party assessment of its information security programme every two years and an annual CEO certification. No monetary payment is described in the sources opened.

What it saved

Not reported [1] [2] [3] [4] [5]

Governance and control

The FTC alleges Rite Aid did not test or assess the vendors' technology before deploying it, did not train or oversee employees acting on alerts, and had no procedure for tracking false positives. Under the settlement it must obtain a third party's assessment of its security programme and give the FTC an annual certification from its chief executive.

S2 · Accountable owner · Not reported
Not reported.

A1 · Safe use · Missing (independent source shows it was absent)
The FTC alleges Rite Aid did not assess risks of misidentification by race or gender; this is an allegation resolved by settlement. [2]

A2 · Human in the loop · Missing (independent source shows it was absent)
The FTC alleges employees were not adequately trained or overseen when acting on match alerts; this is an allegation resolved by settlement. [2]

A3 · Monitoring and assurance · Missing (independent source shows it was absent)
The FTC alleges Rite Aid did not monitor or test accuracy after deployment or track false positives; this is an allegation resolved by settlement. [2]

A4 · Vendor AI · Missing (independent source shows it was absent)
The FTC alleges Rite Aid did not properly vet two vendors, which disclaimed the accuracy of their matching technology; this is an allegation resolved by settlement. [2]

A5 · Agent controls · Not reported
No agents described.

A6 · Standards and regulation · Outside scrutiny (a regulator, court, auditor or similar body acted)
The FTC brought the action and a federal judge entered a stipulated order on 26 February 2024; the FTC reopened its 2010 order against Rite Aid. [1] [3]

What worked, what did not, what is unproven

WORKED

– Not reported

DID NOT

– The FTC alleges match alerts were false in numerous instances: one image generated over 900 alerts in more than 130 stores in five days.

– The FTC alleges an 11-year-old girl was stopped and searched because of a false match.

– The FTC alleges false positives were more likely in plurality Black and Asian communities than in plurality White communities.

– The FTC alleges Rite Aid instructed employees not to reveal its use of the technology to consumers or the media.

UNPROVEN

– The FTC's allegations were not tested in court; Rite Aid disagrees with the core of them, per TechCrunch.

– The scale of use: the FTC says hundreds of stores; Rite Aid says a limited number of stores.

– Whether the five-year ban is still running after Rite Aid's 2025 closures: Not reported.

Timeline

Oct 2012 Rite Aid begins using AI facial recognition in its stores, per the FTC complaint [2]

Jul 2020 Period covered by the FTC complaint ends [2]

Oct 2023 Rite Aid files for Chapter 11 bankruptcy [4]

Dec 2023 FTC files its complaint and a proposed stipulated order [1]

Feb 2024 Federal judge in the Eastern District of Pennsylvania enters the stipulated order [3]

Mar 2024 FTC reopens its 2010 proceeding and issues a new decision and order [3]

May 2025 Rite Aid files a second Chapter 11 case [5]

2 · Grade and SEAM assessment

MarLuc's opinion, made on the evidence above. How cases are graded: marluc.co.uk/case-studies/how-we-rate

Level of change and impact

Claimed: Not applicable. Grade: F, Failure. Proof: Partly proved. Level of change: Not graded.

No level assessed: band F, a regulator action over a surveillance system alleged to cause consumer harm. The settlement also sets rules for any future automated biometric system.

Graded F because the FTC alleged consumers were harmed by false matches and the settlement imposed a ban and deletion. Marked Partly proved because the order resolves allegations that Rite Aid disputes, and Rite Aid says the programme was a limited pilot. No transformation was claimed.

The SEAM view and lessons learnt

The alleged failures sit around the model, not in it: no accuracy testing, no vendor vetting, poor image quality, no tracking of false positives and staff trained to act on alerts. For any larger organisation using AI to flag people, the order reads as a checklist of assurance steps to put in place before go-live: testing, monitoring, notice, complaints and a human check before action against a person.

1. Test accuracy, including across groups, before deploying AI that flags people.
2. Monitor false positives after go-live and act on them.
3. Require a human check and a way to complain before anyone is acted against.

Evidence

Score 2 of 4. Independent but allegations only: an FTC complaint settled by a court-entered order, without admission.

Evaluation method. Regulator action: FTC complaint of 19 December 2023 and stipulated order entered by a federal court on 26 February 2024.

Sources disagree. The FTC alleges use in hundreds of stores from 2012 to 2020; Rite Aid says it was a pilot in a limited number of stores, stopped more than three years before the FTC's action.

Status. Closed: stipulated order entered 26 February 2024. Rite Aid filed a second Chapter 11 case in May 2025 and its website states all stores have closed.

3 · Original sources

Read these in full. To challenge a fact or a grade, use the contact form at marluc.co.uk or the link on https://marluc.co.uk/case-studies/rite-aid-ftc-facial-recognition-ban

[1] FTC: Rite Aid Banned from Using AI Facial Recognition After FTC Says Retailer Deployed Technology without Reasonable Safeguards
https://www.ftc.gov/news-events/news/press-releases/2023/12/rite-aid-banned-using-ai-facial-recognition-after-ftc-says-retailer-deployed-technology-without

[2] Manatt: FTC Bans Rite Aid From Using AI Facial Recognition Due to Falsely Tagging Consumers as Shoplifters
https://www.manatt.com/insights/newsletters/advertising-law/ftc-bans-rite-aid-from-using-ai-facial-recognition

[3] FTC: In the Matter of Rite Aid Corporation, Docket C-4308, Decision (issued 5 March 2024)
https://search.ftc.gov/system/files/ftc_gov/pdf/c4308riteaidorderreopeningproceedings.pdf

[4] TechCrunch: Rite Aid banned from using facial recognition for five years
https://techcrunch.com/2023/12/20/rite-aid-facial-recognition/

[5] Retail TouchPoints: Rite Aid declares bankruptcy again
https://www.retailtouchpoints.com/features/financial-news/rite-aid-declares-bankruptcy-again-secures-1-94-billion-to-support-sale-process

Version 1.1 · Published 15 November 2026 · Updated 15 November 2026 · Facts checked against sources 15 November 2026 · Downloaded 26 November 2026. This PDF may be out of date: the latest version, and a way to report an error or a better source, is at https://marluc.co.uk/case-studies/rite-aid-ftc-facial-recognition-ban

VERSION HISTORY

v1.1 15 November 2026 Method update: standards and regulation (A6) relabelled "outside scrutiny" because the evidence is a regulator, court, auditor or similar body acting, not the organisation's own compliance.
v1.0 15 November 2026 First published