

Opening Remarks
Chairwoman Edith Ramirez
AT&T Cramming Settlement Press Conference
October 8, 2014

Good afternoon. I am joined today by FCC Chairman Tom Wheeler, Attorney General William Sorrell, Attorney General Doug Gansler, Jessica Rich, the director of the FTC's Consumer Protection Bureau, and Travis LeBlanc, the chief of the FCC's Enforcement Bureau. We are all here to announce a significant civil law enforcement action on behalf of millions of American consumers.

AT&T has agreed to a \$105 million settlement with the Federal Trade Commission, the Federal Communications Commission, and 51 attorneys general to resolve allegations that it unlawfully placed charges on its customers' mobile phone bills for monthly subscriptions that customers never authorized and did not want.

This practice - known as "cramming" - affected millions of AT&T's mobile customers. Under the terms of the settlement, AT&T will pay the FTC \$80 million which will be used to give refunds to affected consumers. Starting today, consumers can go to the FTC's website at ftc.gov/att and seek a refund if they believe they are eligible.

Our investigation showed that AT&T, since at least 2009, placed charges by other companies onto its customers' mobile phone bills for unauthorized services. Typically, these charges were \$9.99 a month to receive text messages with content such as horoscopes, celebrity gossip, or "fun facts" like those displayed here in the room.

We allege that AT&T had strong reason to suspect that the charges were unauthorized yet continued to place these charges on its customers' bills. In some months, consumers requested

refunds of more than 40 percent of the charges placed by some third parties. This should have, and in fact did, ring alarms inside AT&T.

But instead of acting to stop the charges AT&T continued to make hundreds of millions of dollars from the practice – by taking at least 35 percent of every charge – and refused to provide refunds to many consumers. In fact, our complaint alleges that in 2011, AT&T sought to reassure the third parties originating the unauthorized charges that it would *not* provide full refunds to consumers. AT&T told these companies, that it would – “help lower refunds” – by only providing refunds of up to two months’ worth of charges, no matter how long the unauthorized charges existed on consumers’ bills.

We also allege that the structure of the bills made it difficult, if not impossible, for consumers to understand that they were paying a recurring monthly charge from a third party, not AT&T. The display behind me shows that AT&T presented its customers with bills that lumped the third party charges into the total amount due on the front page of the bill, and not until later in the bill would a consumer see the individual charge, which rarely described the alleged service. The charges were placed in a category called “*AT&T Monthly Subscriptions*,” which suggested to consumers that these were for services provided by AT&T, not by third parties.

Today’s settlement, while focused on the fast-growing mobile industry, underscores a time-tested principle of consumer protection: consumers must not be charged for goods or services they did not authorize, whether on their mobile phone, shopping online, or in a brick-and-mortar store.

In addition to the \$80 million in refunds to consumers through the FTC and \$25 million in penalties paid to the FCC and the states, today's settlement contains strong restrictions that will prevent AT&T from deceptively and unfairly billing for unauthorized third-party charges.

These include notifications for current customers who may have been wrongfully billed, and a requirement that AT&T obtain express informed consent from consumers for third-party charges, clearly and conspicuously disclose third-party charges, and bolster its refund practices for third-party charges.

This case is the FTC's seventh related to mobile cramming since last year, including our ongoing litigation against T-Mobile. And we have been fighting cramming on landline phone bills for over a decade. The FTC is using its authority to help ensure that, as mobile devices become more firmly woven into the daily lives of greater numbers of Americans, they enjoy the same consumer protections they have in other aspects of their lives.

Again, I would like to remind AT&T customers to visit ftc.gov/att for information on the refund program. And I would like to thank the FCC and our state partners here today and across the country for their close cooperation and concerted efforts in securing this strong settlement for consumers.

With that, I will turn the floor over to my colleague, Chairman Wheeler. He has been a valued partner in bringing this settlement to fruition despite the demands of the important work the FCC is undertaking, which I strongly support, to develop appropriate regulations to ensure an open Internet.