



January 12, 2009

## **MADIGAN, 33 AGs REACH AGREEMENT WITH DELL RESOLVING DECEPTIVE PRACTICE CLAIMS**

### ***Dell to Pay \$3.35 Million to Refund Consumers, States for Misleading Promotions***

Chicago - Attorney General Lisa Madigan today announced a \$3.35 million multistate agreement with Dell, Inc., that settles allegations the computer manufacturer used deceptive financing and warranty practices.

The settlement concludes an investigation into the company's allegedly deceptive financing promotions, in which Dell promised consumers zero-percent financing and then charged them higher interest rates. Consumers also complained that they never received promised rebates and experienced difficulty obtaining warranty service on their Dell computers.

"This agreement is intended to help consumers who were harmed by Dell's conduct and ensure that Dell will change its financing and warranty practices," Madigan said. "I urge customers to contact my Consumer Fraud Bureau if they have purchased a Dell product or experienced problems with financing and want to determine if they are eligible for restitution as part of this agreement."

As part of this agreement, the Texas-based manufacturer and its subsidiary, Dell Financial Services, LLC, will pay \$1.5 million in restitution to eligible consumers who mail claims by April 13 to the Attorney General's Consumer Fraud Bureau. Consumers can download a claim form from the Attorney General's Web site ([www.illinoisattorneygeneral.gov](http://www.illinoisattorneygeneral.gov)) or call the Consumer Fraud Hotline at 1-800-386-5438 for more information.

Consumers may be eligible for restitution (1) if they file a claim with the Attorney General's office within 90 days of today's date and concerning a Dell purchase made between April 1, 2005, and today or (2) if the company owes them money. Eligible consumers who already filed complaints with the Attorney General's Office after April 2005 will receive claim forms in the mail. The company also agreed to pay \$1.85 million to the states for reimbursement of legal costs. Illinois will receive \$75,000.

Importantly, as part of this settlement, Dell also agreed to make significant changes in the way it handles financing and warranties. Specifically, Dell agrees to:

#### **FINANCING AND CREDIT OFFERS**

- Disclose in advertisements for promotional credit offers that the majority of consumers who apply will not qualify for the best annual percentage rate (APR), and further disclose the range of initial APRs that consumers who are not considered the "most qualified borrowers" are likely to receive.
- Inform consumers who are considering applying for promotional financing that the application is for a revolving open credit account, that minimum monthly payments are required, and that approval of the account does not guarantee that the consumer will also qualify for conditional financing promotions (such as zero-percent interest for 90 days).
- Explain how finance charges are calculated, disclose any penalties, and inform the consumer whether subsequent purchases made using the credit account will be subject to the same or different financing terms.
- Disclose whether the applicant has qualified for any conditional financing promotion at the time of credit acceptance.

#### **WARRANTIES AND SERVICES**

- Fulfill its warranty obligations within 30 days from the date of notification or receipt of a defective product.

- Disclose whether phone-based troubleshooting or remote diagnosis is required before Dell will provide on-site repair or warranty-related service.

## REBATES

- When a rebate is available, provide the necessary rebate documentation at the time the product is delivered or the service is provided.
- Mail rebates to consumers within the specified time frame, or within 30 days if no date is specified.

## ADDITIONAL PROCEDURES AND POLICIES

- Implement written policies to ensure compliance with the settlement, including procedures that address issues such as:
  - Informing consumers of their right to cancel orders made with the Dell Credit Account within three days after receiving final credit approval.
  - Communication between Dell and Dell Financial Services when a consumer returns a product purchased with credit.
  - Removing consumer accounts from collection agencies and providing accurate information to credit reporting bureaus.
- Substantiate any claims Dell makes about the quality of its customer service. For example, Dell agrees to use the term "award-winning" to describe its customer service only if the company received such an award within the past 18 months.

The following states also participated in the settlement, which was led by Connecticut and Washington: Arizona, Arkansas, California, Delaware, Florida, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, West Virginia, Vermont and Wisconsin.

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