



November 16, 2009

MADIGAN REACHES AGREEMENT WITH VONAGE TO REFUND CONSUMERS, MODIFY CANCELLATION AND MARKETING PRACTICES

Chicago-Attorney General Lisa Madigan today announced a settlement agreement with Vonage, one of the nation's largest providers of Internet-based telephone services, which will require the Holmdel, N.J.-based company to provide refunds to consumers who were improperly billed and significantly alter its marketing and customer cancellation practices.

"This agreement is designed to ensure that Vonage fully discloses all of its fees and conditions for the services it offers," Madigan said. "It is also a helpful reminder that consumers should always read the fine print before signing up for a telecom service to search for any extra costs associated with enrolling in programs or services."

The settlement, which was filed by Madigan and 31 other states, resolves complaints from consumers who could not cancel their Vonage service. Although Vonage enrolls customers online, the company does not allow customers to cancel online, instead requiring them to cancel by phone. Consumers have complained about excessively long wait times and service representatives refusing to allow consumers to cancel. In fact, Vonage customer service representatives allegedly received incentives for retaining customers in lieu of cancellation. Consumers also complained that they continued to be billed by Vonage even after cancelling the phone services. The settlement places strict limitations on the company's cancellation and customer retention policies.

Today's agreement bans Vonage from billing customers after they cancel their plan and requires the company to confirm the cancellation with the customer via e-mail within two days of the transaction. As part of the settlement, Vonage agreed to provide restitution to eligible consumers who complained of being improperly billed by Vonage from January 2004 to the present. Consumers who have not previously filed a complaint with the Attorney General's office have until March 16, 2010, to file a complaint in order to request a possible refund as part of this agreement.

In addition, Vonage must modify its customer retention program by requiring customer service agents to obtain customers' express consent to the service on a recorded phone call and to send a subsequent e-mail notification to the customer alerting them of the service with Vonage.

The settlement also addresses a number of marketing practices that have caused customer confusion about costs associated with Vonage equipment and service. According to the agreement, Vonage allegedly failed to fully disclose the terms and fees associated with what was advertised as a "free month of service." The company failed to notify consumers that the first month of service would be accompanied by an activation fee, shipping and handling costs, taxes, and universal service, regulatory recovery and emergency 911 fees. Further, Vonage failed to disclose that, in the event a customer cancels service within 30 to 60 days, the company's money-back guarantee did not include the cost of shipping equipment back to Vonage and affiliated taxes. As a result of today's settlement, Vonage agreed to revise its disclosures to more clearly define the offer of "free" services, money-back guarantees and trial periods. Also as part of the settlement, Vonage agreed to pay \$3 million to the states involved in the settlement agreement.

In addition to Madigan, the Attorneys General from the following states participated in this consumer protection settlement: Alabama, Arizona, Arkansas, Connecticut, Florida, Hawaii, Idaho, Indiana, Kansas, Louisiana, Maine, Michigan, Missouri, Montana, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Vermont, Washington, West Virginia and Wisconsin.

Assistant Attorney General Philip Heimlich handled the case for Madigan's Consumer Fraud Bureau.

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