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MADIGAN ANNOUNCES \$105 MILLION AT&T MOBILITY SETTLEMENT OVER WIRELESS PHONE BILL CRAMMING

Chicago — Attorney General Lisa Madigan today joined with her counterparts around the country, the Federal Trade Commission and the Federal Communications Commission to announce a \$105 million settlement with AT&T Mobility over reports that phone customers were receiving unauthorized charges on their cell phone bills, a practice known as “cramming.”

Madigan, the other attorneys general, the FTC and the FCC reached the settlement following reports of cramming from phone customers who were billed for services by third-party companies that they never authorized or wanted, such as “premium” text message subscription services (PSMS) that sent customers horoscopes, trivia and sports updates for \$9.99 a month.

Cramming happens when third-party vendors use consumers’ phone numbers much like a credit card. Vendors add charges to phone bills for bogus products or services, such as celebrity gossip items, horoscopes, trivia and joke-of-the-day offerings, that consumers and businesses never requested or authorized. But because consumers rarely, if ever, detect the scam, the scammers often illegally profit for months at a time.

Madigan said wireless cramming is poised to become a major source of consumer fraud, much like it did on landline phones before the practice was banned in Illinois. In 2012, Madigan drafted and negotiated a law that banned unauthorized charges on landline phones, making Illinois only the second state in the nation to ban the practice on wired phone lines. But as more people now use cell phones as their primary phones, scam artists are migrating to wireless billing schemes, spurring the need for stronger consumer protections.

“Phone bill cramming is a pervasive problem impacting our landline and now mobile phone bills,” Madigan said. “This settlement is a step forward in stopping scammers from illegally profiting by putting unapproved charges on our bills. The new protections will ensure all third-party charges are first authorized by AT&T Mobility customers.”

Under the terms of today’s settlement, AT&T Mobility is required to provide \$80 million in refunds to consumers who were victims of cramming. Refunds will be administered by the Federal Trade Commission. Consumers who believe they may have been a victim can learn more by visiting www.ftc.gov/att. Consumers who are unsure about their eligibility for a refund can visit the website or contact the Claims Administrator at 1-877-819-9692 for more information.

The settlement bans AT&T Mobility from the commercial PSMS business. It also requires AT&T Mobility to take a number of steps designed to ensure that the company only bills consumers for third-party charges that have been authorized, including the following:

- AT&T Mobility must obtain a customer’s expressed consent before billing consumers for third-party charges, and must ensure that consumers are only charged for services if they have been informed of all material terms and conditions of their payment;
- AT&T Mobility must provide a full refund or credit to consumers who are billed for unauthorized third-party charges at any time after this settlement;
- AT&T Mobility must inform customers when they sign up for AT&T services that their mobile phone can be used to pay for third-party charges and how those third-party charges can be blocked if consumers do not want to use their phone as a payment method for third-party products; and
- AT&T Mobility must present third-party charges in a dedicated section of customers’ mobile phone bills, must clearly distinguish them from AT&T Mobility’s charges, and must include in that same section information about the consumers’ ability to block third-party charges.

AT&T Mobility is the first mobile telephone provider to enter into a national settlement to resolve allegations regarding cramming; AT&T Mobility was one of the four major mobile carriers—in addition to Verizon, Sprint and T-Mobile—that announced last fall it would cease billing customers for commercial PSMS charges.

In total, the Attorney General's office has filed 30 lawsuits against crammers. Among the most glaring of the targets for these scams was by US Credit Find Inc., a Venice, Calif.-based operation, which crammed a Springfield public library's dial-a-story telephone line. Madigan sued US Credit Find Inc. in 2009.

Over the last several years, Attorney General Madigan has advocated for a nationwide ban on phone bill cramming, testifying before the U.S. Senate Commerce Committee and filing comments with the Federal Communications Commission.

-30-

[Return to October 2014 Press Releases](#)

