

# AT&T settles class action over termination fees

January 27 2010, By PETER SVENSSON , AP Technology Writer

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(AP) -- AT&T Inc. is paying \$18 million to settle claims that it imposed unfairly high fees on wireless customers who wanted to end their contracts.

The settlement covers customers from as far back as 1998. Those who were charged an early termination fee, or ETF, could get as much as \$140 back, if they canceled a two-year contract just before it was about to expire. Those who canceled earlier would get less.

Those who were never charged an early termination fee can get an AT&T long distance phone card with up to 200 minutes, or if they have a AT&T contract, choose to have the ETF changed from a \$175 flat rate to one that is prorated.

AT&T used to charge an ETF of \$175, regardless of how long the customer had left on the contract. Like other carriers, it started prorating the fee in 2008, so customers canceling after a year of service paid less.

Early termination fees recover some of the subsidies that carriers pay to reduce the price consumers pay for new phones. But in several suits AT&T and other carriers faced around the country, customers claimed the fees were illegal because they bore no relation to the carrier's actual costs, and discouraged customers from switching carriers. The consumers also complained that carriers would extend the contract periods, sometimes secretly, when customers asked to change minor provisions in their contracts.

Dallas-based AT&T said it "strongly" denies any wrongdoing, and said no court had found it at fault. It's settling to avoid further litigation, it said.

Sprint Nextel Corp. settled similar claims in August for \$17.5 million.

On Tuesday, the Federal Communications Commission sent letters to AT&T, Sprint, Verizon Communications Inc., T-Mobile USA Inc. and Google Inc., asking whether they give customers adequate notice about ETFs.

**More information:** <http://www.attmetfsettlement.com>

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