

Mobile provider TracFone to pay \$40M in federal settlement

January 28 2015, by Jennifer C. Kerr

The nation's largest prepaid mobile provider, TracFone Wireless, will pay \$40 million to settle government claims that it misled millions of smartphone customers with promises of unlimited data service.

The Federal Trade Commission said Wednesday that TracFone's advertising promised unlimited data, but the company then drastically slowed down consumers' data speeds—a practice known as throttling—when they had used a certain amount of data within a 30-day period. In some cases, the FTC said, the company cut off customers' data service when they ran over the limit.

TracFone's prepaid wireless service is sold under various brands, including Straight Talk, Net10, Simple Mobile and Telcel America.

Throttling will slow down the ability to open Web pages or stream video. According to the commission, TracFone generally throttled the data flow when a customer used about 1 gigabyte to 3 gigabytes. Data service was sometimes suspended at 4 gigabytes to 5 gigabytes, the FTC said.

"The issue here is simple: Unlimited means unlimited," said Jessica Rich, director of the FTC's consumer protection bureau, in a call with reporters. "This case is about false advertising."

In a statement, TracFone said it worked with the commission to "reach an amicable settlement, and we have no further comment at this time."

The prepaid monthly plans were sold at Walmart, Best Buy, Target and other retailers across the country as well as online.

Consumers who had a Straight Talk, Net10, Simple Mobile, or Telcel America unlimited plan before January 2015 can file a claim for a refund. Refunds will vary depending on several factors, including how long a consumer had the TracFone plan and how many consumers request refunds.

The FTC charges that TracFone has been throttling consumers or cutting unlimited service since 2009. The commission's complaint says there was no technical reason for TracFone to limit the data plans, such as slowing speeds because of network congestion. Internal documents, the FTC says, suggest the throttling was done to "reduce the high costs associated" with providing unlimited data.

In September 2013, TracFone began making some disclosures about throttling unlimited plans, but they were usually not clear or the print was too small for a consumer to notice them, the FTC said.

The commission sued AT&T late last year over the same issue. AT&T has denied misleading customers over its unlimited data plans.

More information: To file a claim: ftc.gov/prepaidphones

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