

Verizon Wireless, Sprint settle allegations of bogus charges

May 12 2015, by Anne Flaherty

Verizon Wireless will pay \$90 million and Sprint \$68 million to settle charges that the mobile giants allowed phony charges on their customers' monthly bills so they could keep a cut of the profit, federal regulators announced Tuesday.

The two mobile providers had partnered with third-party vendors that sell premium text messaging services, such as daily horoscopes, trivia and sports scores. But consumers who hadn't signed up for the services were being billed anyway, typically about \$9.99 a month, according to the Federal Communications Commission and several state attorneys general. Regulators said they launched an investigation after receiving numerous complaints that the carriers had refused to refund the charges.

Both companies said in statements emailed to reporters on Tuesday that they had stopped allowing premium text messaging before the government investigation began. Sprint spokesman Jeffrey Silva said the company had already returned "tens of millions of dollars" to its customers.

"This settlement gives our customers who believe they were wrongfully billed for (premium text messaging) services the ability to get a refund, and allows Sprint to continue to focus on enhancing the customer experience," Silva wrote.

Verizon Wireless spokeswoman Debra Lewis said the settlement "reflects Verizon's continued focus on putting customers first." She

added that the company had "rigorously protected" its customers from unauthorized charges.

"Verizon thoroughly vetted the companies that provided these services and terminated providers who did not comply with our industry-leading practices," Lewis wrote.

According to the FCC, consumers who called the carriers to complain were denied a refund even though the carriers were unable to provide proof that the customer had authorized the charges. At the same time, Verizon kept at least 30 percent of each billing charge, while Sprint kept about 35 percent.

The FCC and other regulators cheered the move as a signal that the practice, known as "mobile cramming," would no longer be tolerated. Last year, T-Mobile agreed to pay \$90 million for cramming while AT&T Mobility agreed to a \$105 million settlement.

The investigation drew in the Consumer Financial Protection Bureau, as well as law enforcement in every state. New York Attorney General Eric Schneiderman said he estimates that about 2 million New Yorkers will be eligible for refunds.

Maryland Attorney General Brian Frosh said consumers still need to remain vigilant of scams.

"It's becoming more and more common to use our phones and not our wallets when making purchases," Frosh said. "As mobile payment systems become more prevalent, scammers will attempt to find ways to manipulate these applications."

Most of the money paid by the providers under the settlement will be used to refund duped consumers. Verizon's \$90 million settlement

stipulates that at least \$70 million will go toward a "consumer redress program," \$16 million will go to states, and \$4 million is for fines. Sprint's \$68 million settlement includes \$50 million for a consumer program, \$12 million for state governments and \$6 million in fines.

Verizon Wireless said it had set up a website where consumers can get more information: www.cfpbsettlementverizon.com .

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Citation: Verizon Wireless, Sprint settle allegations of bogus charges (2015, May 12) retrieved 19 April 2024 from <https://phys.org/news/2015-05-verizon-wireless-sprint-allegations-bogus.html>

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