



TELECOMMUNICATIONS

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FCC Cracks Down on Prepaid Calling Card Providers

At the beginning of the month, the [FCC](#) announced proposed [\\$5 million forfeitures](#) for each of five companies for violating Section 201(b) of the [Communications Act](#) by using deceptive marketing practices to sell prepaid calling cards, cards that target mostly low-income and minority communities. [Section 201\(b\)](#) of the Communications Act requires that “all charges, practices, classifications, and regulations for and in connection with [interstate or foreign] communication service, shall be just and reasonable ...” The FCC considers unfair and deceptive marketing to be and unjust and unreasonable practice that violates the Communications Act.

According to the FCC, consumers typically buy prepaid calling cards in denominations of \$2, \$3, or \$5 at grocery or convenience stores where the cards are advertised as allowing consumers to call inside or outside the United States for a specified price per minute for a certain number of minutes. Often the advertisement advises consumers that one card will buy them hundreds or even thousands of minutes.

However, because some prepaid calling card companies assess extra fees and surcharges, which can be unclear to consumers either because they are listed in fine print or are written in a highly technical and confusing manner, the FCC believes that some consumers may only receive a fraction of the minutes advertised. In one case, the FCC pointed to a prepaid card advertising hundreds of minutes, but in order for a consumer to

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use all of those minutes, the consumer would have to make a single 13-hour call. If the consumer made more than one call that lasted for shorter durations, the consumer would get smaller and smaller fractions of the total advertised minutes.

FCC Enforcement Bureau Chief Michele Ellison said, “Every day, people – many of them from our most vulnerable communities – rely on prepaid calling cards to connect with friends and family around the world. The orders ... detail the misleading practices – from illegible fine print to impossible-to-calculate fees – that some companies appear to use to sell their cards. We hope that these cases lead all prepaid providers to re-examine their marketing practices to ensure that they are treating consumers fairly.” The FCC has announced that it will continue to aggressively monitor prepaid calling card companies to ensure that they are not engaging in unfair and deceptive practices.

To avoid an enforcement action, the FCC is encouraging companies to:

- Provide sufficient information about rates, fees, and the actual number of minutes available with their cards,
- Clearly and conspicuously disclose this information at the point of sale to allow consumer to make an informed decision about the products they are purchasing,
- Consult their legal counsel with any questions pertaining to their particular operations, and
- Remember that failure to comply with the law can result in severe penalties, including, but not limited to, substantial monetary forfeitures.

We welcome your thoughts on this issue! Please feel free to comment at our interactive [blog!](#)

We have very substantial experience in addressing this issue with the FCC. If you have questions about any of these issues, or if we may be of assistance to you on any other matter, please feel free to [contact us](#).

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