

California Public Utilities Commission
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PRESS RELEASE

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**CPUC STRENGTHENS CONSUMER PROTECTIONS AGAINST
CRAMMING AND FRAUD ON TELEPHONE BILLS**

SAN FRANCISCO, Oct. 28, 2010 - The California Public Utilities Commission (CPUC) today augmented its “cramming” rules in order to provide stronger protections for California’s consumers and prevent unauthorized third-party charges on customer telephone bills.

The new and revised rules clarify who is responsible for authorizing third-party charges, the rights of consumers in disputing charges and getting refunds, and the duties of telephone billing companies to investigate and report complaints of unauthorized charges and to list third-party services that have been suspended or terminated.

The CPUC clarified that only the person responsible for charges on a bill (the subscriber) can authorize billing for services by a third-party. Telephone billing corporations (such as landline or wireless carriers, resellers, or their billing agents) are explicitly required to obtain the subscriber’s authorization before billing or causing to be billed any charge on a telephone bill.

The revised rules also make clear that a billing telephone corporation is responsible for refunding all unauthorized charges presented in its bill, regardless of whether the unsuspecting subscriber may have paid the charge. While an unauthorized charge is being investigated, the subscriber will not be required to pay the disputed charge or any associated late charges or penalties, and the charge may not be sent to collection and no adverse credit report may be made based on non-payment of that charge.

Under the strengthened anti-cramming rules, telephone billers are encouraged to provide consumers with a no-cost option to block or limit third-party offerings, such as Premium SMS content (e.g., ringtones) or pay-per-use services. Telephone billers are also to actively inform their subscribers of these options. Additionally, billers are required to report the available blocking options to the CPUC on an annual basis.

The CPUC also strengthened its monitoring of the industry by instituting new reporting requirements. Billing corporations are now required to submit quarterly reports of refunds made to subscribers with California area codes, including lists of third-party services that have been suspended or terminated, grouped by service provider. These new reports will help determine whether existing options for consumers to “opt-out” of third-party services are enough to protect consumers from unauthorized charges

“Today’s decision represents another step in the CPUC’s efforts to protect consumers from having unauthorized charges placed on their telephone bills,” said CPUC Commissioner John A. Bohn, the Commissioner assigned to this proceeding. “More importantly, this decision puts in place an enhanced consumer education requirement, including having the carriers provide clear and concise notification to their customers that their line is open to charges from third-party service providers and that the customer has the option to block these charges.”

“The rules adopted today continue to encourage the provision of refunds to customers who are being ‘crammed’. It is absolutely important for consumers to know that if they have a complaint, they can call their telephone company for resolution and have the company address the issue of a refund right away,” said CPUC President Michael R. Peevey. “I think these rules are quite timely. The telecommunications market has shown that it can evolve quickly. If placing third-party charges on a telephone bill becomes more routine the rules we have put in place will safeguard consumers.”

Said Commissioner Timothy Alan Simon, “I support today’s decision because it properly balances our mandate to protect consumers while concurrently allowing consumers to enjoy the benefits generated by a diverse and growing sector of our economy. The CPUC is taking a proactive approach to deal with cramming by adopting a comprehensive set of rules and employing a customer

outreach component. These rules and the customer outreach are effective tools in combating unauthorized charges and unscrupulous business practices.”

Added Commissioner Nancy E. Ryan, “Consumers can now enjoy the ringtones, wallpaper, and other apps they value so much with the knowledge that they will be protected from unfair and fraudulent billing.”

For more information on the CPUC, please visit www.cpuc.ca.gov.

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