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PRESS RELEASE

Docket #: I.10-02-003

CPUC FINES TELCO COMPANY OVER CRAMMING VIOLATIONS

SAN FRANCISCO, CA – May 5, 2011 – The California Public Utilities Commission (CPUC), following a thorough investigation of consumer complaints about unauthorized charges and incorrect rates on phone bills, today approved a Settlement Agreement between Americatel and the CPUC’s Consumer Protection and Safety Division (CPSD) that protects consumers against fraudulent marketing practices and faulty billing systems.

As a result of today’s decision Americatel will pay a fine of \$503,000 to the state’s General Fund in addition to the \$1.5 million Americatel had to refund to its California customers (or \$1.9 million nationwide) due to unauthorized charges. CPSD determined that Americatel had crammed (placement of unauthorized charges on a consumer’s telephone bill) 61,097 California consumers as a result of the forgery of Letters of Authorization by its marketing agent, Bravo Marketing of Florida.

In the course of its investigation, CPSD also found that Americatel overcharged its customers \$2 million in Universal Service Fund fees due to billing errors. Americatel acknowledged the mistake and immediately issued refunds to customers. CPSD faulted Americatel for its failure to perform adequate due diligence in overseeing its marketing activities and billing system, thereby violating Pub. Util. Code §2890(a) and §451.

Americatel is a reseller of long-distance intra-state, inter-state, and international telephone services, primarily to Latino customers seeking connections to Central and South Americas. In the spring of 2008, Americatel contracted with Bravo Marketing to market its long-distance calling services to consumers. Shortly thereafter, the CPUC began receiving a large number of

consumer complaints about unauthorized charges by Americatel. After being contacted by the CPUC, Americatel reported that it had received large numbers of complaints from consumers who claimed to have been enrolled in one of Americatel's plans without their authorization. Americatel determined that Bravo Marketing committed widespread fraud on many Americatel customers by forging Letters of Authorization.

Americatel terminated its marketing agreement with Bravo Marketing in June 2008. It did not bill customers signed by Bravo Marketing in July 2008 or thereafter, and gave credits to every customer Bravo had signed up, including some who had legitimately signed up and used the service.

On February 4, 2010, the CPUC opened a formal investigation into the operations and practices of Americatel to determine whether Americatel violated the laws, rules, and regulations governing the way in which consumers are billed for products or services, by billing customers for dial-around long distance monthly service without authorization, and by applying incorrect rates to customers' phone bills. However, the parties also explored settlement negotiations and decided in late September 2010 to submit the disputes to the CPUC's Alternative Dispute Resolution program for mediation.

On January 11, 2011, CPSD and Americatel filed a Joint Motion for Approval of Settlement Agreement that represented a compromise of the litigation positions of the Settling Parties.

In the settlement, Americatel agreed to numerous operational changes, some of which it had already implemented. These include much better screening and more direct oversight of its telemarketers, enhanced training for its customer service and billing employees, bilingual customer service representatives, and regular trend analysis of customer inquiries to quickly identify problems. These changes will significantly reduce the likelihood of a rogue telemarketing agent defrauding Americatel's customers, minimize billing errors, and substantially improve customer protection.

"The substantial fine imposed on Americatel should serve as a warning to Americatel and all telecommunications companies that they must carefully look at the work of their marketing agents and the accuracy of their billing systems," said CPUC President Michael R. Peevey. "We

encourage customers to contact us if they have unauthorized charges placed on their telephone bills that they cannot resolve with their carrier.”

The proposal voted on today is available at

http://docs.cpuc.ca.gov/word_pdf/AGENDA_DECISION/133680.pdf.

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

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