

Transcript - Making the Most of Pre-paid Phone Cards Podcast

This is Carol Kando-Pineda. I'm an attorney at the Federal Trade Commission, the nation's consumer protection agency. One focus of my work is outreach to the military community, giving you tips and tools to avoid scams, watch your wallet, and protect yourself in the marketplace.

Today I'm going to talk about scams related to pre-paid phone cards. First the basics. What exactly are pre-paid phone calling cards? Well, when you buy a pre-paid phone card, that means you're paying in advance for calling time. The cards generally cost between \$2 and \$20 and you can get either local or long-distance calling time. The rate charged per minute determines the amount of calling time you're buying.

So, these cards can be very convenient, but there are pitfalls to some of them, which we'll get to in a minute. Before we do, I'd like to describe some of the fraud we've seen in this area.

The FTC has been bringing cases about prepaid phone cards for years now. And just recently we've ramped up a crackdown in this industry which has led to several companies paying more than \$4 million. In one case, which is typical of these cases, the FTC alleged that Diamond Phone Card and its principals lied about the number of calling minutes that its cards deliver and they didn't properly disclose maintenance and other hidden fees. You know, some of the fees were disclosed in nearly illegible print at the bottom of the company's advertisements. That's not going to do you any good.

The FTC's testing showed that consumers received only about half the advertised minutes from the Diamond pre-paid calling cards. So, you're totally getting ripped off. They marketed calling cards to recent immigrants for a wide range of international locations like Dominican Republic, El Salvador, Mexico, India, Pakistan, and Guatemala. So, basically they're taking advantage of people with limited options for making calls overseas - the calls they most needed to make.

So Diamond had to pay \$500,000 and a fine and they also must stop misleading consumers about the talk time that their cards provide. And very importantly, they must clearly disclose in the same language as their marketing, all of the fees associated with their cards. So, the disclosure needs to be clear. If they're marketing in Spanish they need to be making the disclosures in Spanish as well.

Back in 2007, the FTC also established a task force with the Federal Communications Commission and more than 35 states to deal with deceptive marketing in this industry. The FTC was assisted in this particular case by government agencies in El Salvador, Colombia, Egypt, Mexico, Panama, and Peru. So, this is a pretty big problem and lots of agencies are chipping in, leveraging their resources to try to get a handle on it.

So, what do we learn from cases like this? What are some of the problems? These cards often have hidden costs or other problems like bad connections, access numbers that are almost always busy, and PIN numbers that don't work. So, fees are always a big problem to always watch out for. They can take a big bite out of the calling time that you've bought. So as a result, you don't get all of the calling time that was advertised. And because you paid in advance you can be out of pocket and totally out of luck if you discover a problem.

So, if you really need to buy these cards, here are some questions to keep in mind. Think about those fees. Are fees going to diminish the value of the card? Some of the common fees that you want to look for are, post-call, disconnect, or hang-up fees. These are fees that are deducted each time you hang up the phone after using the card. What about maintenance fees? Those are charges that are deducted after using the card at some regular interval. You want to be aware of surcharges. Do the advertised minutes apply only to a single call? Some cards will lose a lot of value if you try to make more than one call regardless of the number of minutes advertised. So you definitely want to know what you're getting into. You want to know whether you can make more than one call with the card or not. Do the advertised minutes apply only if you use the local access number? Some cards will charge higher rates if you use the toll-free access number to place your call. Again, a pretty important consideration.

Is there an expiration date for minutes? Do the advertised minutes apply to calls to a cell phone? In most cases, cards charge higher per minute rates for calls to or from those phones. Will you be using the card to be calling from a pay phone? Rates are typically higher if you place calls from a pay phone. Will you be making instate long-distance calls? Some cards will charge higher rates for calling within the state. Will you be using the card from an overseas location? Rates can vary dramatically for international calls, all depending on the country. So, if you'll be deploying overseas, make sure you buy a card that discounts international calls for the country you'll be calling from. You can buy a military exchange global pre-paid calling card that includes rates from Afghanistan, Kuwait, and Iraq. Will you be using the card from onboard a ship? If so, you'll need a special ship-to-shore calling card. These are available through your Exchange. Does the explanation of the fees make sense to you? If it seems unreasonable, just buy another card. Ask the retailer for a card with no fees or fewer fees. If you're buying the card online, check a different website. You really want to do your homework and look around to make sure you know what you're getting. Is there a toll-free customer service number? As we've said on many occasions, you want to know there's a good working number so if you run into a problem, you know where to call.

Before you buy a calling card, read the terms and conditions to make sure you're buying the one that offers the best value for your particular needs. Keep your card and PIN number safe. Most card issuers won't compensate you if your card is lost or stolen. Finally, think about buying a card with a small denomination. Start off with say a \$2 card first. It may provide the best value because if something goes wrong, your loss is limited, and you can sort of check it out, see if it works.

So, do you think you've been ripped off? If your pre-paid phone card doesn't work as advertised, even after you've called the customer service number, contact, first the Federal Communications Commission. They regulate interstate and international communications by radio, TV, wire, satellite, and cable. You can get to them at esupport.fcc.gov/complaints, or you can call 1-888-CALL-FCC, that's 1-888-225-5322. You can always file a complaint with the Federal Trade Commission. Military service members should go to ftc.gov/sentinel/military. That's ftc.gov/sentinel/military. You can always call 1-877-FTC-HELP, that's 1-877-382-4357. And as always, you can go to Military OneSource for help. This free 24-hour service is available to all active duty, Guard, and Reserve members (regardless of activation status) and

their families. Consultants provide information and make referrals on a wide range of issues.