



# PUBLIC NOTICE

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## FCC ENFORCEMENT ADVISORY

### PREPAID CALLING CARDS

#### **BUYERS BEWARE: Carefully Review Calling Card Advertisements Prior to Purchase**

#### *Many Prepaid Calling Cards Have “Fine Print” and Undisclosed Fees*

Prepaid calling card schemes remain a trap for unsuspecting consumers, as a study issued today by Consumer Reports confirms. Many prepaid calling card providers target vulnerable low-income, minority, or immigrant communities, falsely claiming that calling cards costing just a few dollars will give the consumer hundreds, if not thousands, of minutes of calls to family and friends across the globe. In the last nine months, the Federal Communications Commission has taken aggressive enforcement action against some of these prepaid calling card companies, proposing \$25 million in monetary forfeitures for deceptive advertising. The FCC’s investigations found that due to undisclosed fees and “fine print” consumers would get only a fraction of the advertised minutes. Unfortunately, some carriers appear to be continuing these misleading practices. This Advisory alerts prepaid calling card consumers and warns carriers that the FCC will diligently pursue violators.

#### **\*\*\*CONSUMER ALERT\*\*\***

##### **What to do before purchasing a pre-paid calling card:**

- Carefully read the instructions on how to use the card;
- Understand the rates for your particular phone card;
- Read the “fine print” to understand any fees, conditions, or limitations on the card;
- Check to see if the advertised minutes apply only to a single call or to multiple calls;
- Confirm the expiration date to avoid losing unused minutes;
- Make sure there is a toll-free customer service number provided with or on the card; and
- Get referrals: ask your friends and family to recommend cards they have used and liked.

##### **Common complaints that suggest possible pre-paid calling card fraud:**

- Access numbers and/or PINs that don’t work;
- Service or access numbers that are always busy;
- Card issuers that go out of business, leaving people with useless cards;
- Rates that are higher than advertised;
- Undisclosed “post-call,” “per-call,” or “maintenance” fees;
- Cards that charge you even when your call does not go through;
- Poor quality connections; and
- Cards that expire without the purchaser’s knowledge.

**What is a prepaid calling card?** Prepaid calling cards provide a specified amount of calling time, paid for in advance when the card is bought. The cards can be very convenient, generally allowing consumers to call family and friends inside or outside of the United States from any phone. The cards are typically sold in denominations of \$2, \$3, or \$5 at newsstands and in grocery and convenience stores, and are often advertised to consumers using posters displayed in retail locations.

**What statutory provision applies to the marketing of prepaid calling cards?** Section 201(b) of the Communications Act mandates that “[a]ll charges, practices, classifications, and regulations for and in connection with [interstate or foreign] communication service, shall be just and reasonable...”.<sup>1</sup> Applying section 201(b) in its prepaid calling card cases,<sup>2</sup> the FCC found that the companies involved apparently deceptively represented to calling card buyers that they could use hundreds if not thousands of minutes to make calls to foreign countries when, in fact, they could use only a fraction of those minutes because a variety of fees and surcharges quickly depleted the cards. The FCC found that the companies’ disclosures about these fees contradicted the much more prominent claims in the marketing materials as to how many calling minutes were available on the cards. In addition, the companies’ explanations of the range of fees and other terms and conditions were apparently so vague that it was difficult for a consumer to know, when purchasing the cards, what fees would apply or how the fees would impact the number of calling minutes actually received.

**What should businesses do to ensure they are in compliance?** Prepaid calling card companies should review section 201(b) of the Communications Act as well as recent proposed forfeitures as they relate to carriers’ advertising and marketing practices. Companies must provide sufficient and accurate information about rates, fees, and the actual number of minutes available with their cards, clearly and conspicuously disclosed at the point of sale, to allow consumers to make an informed decision about the products they are purchasing. Businesses should consult their legal counsel on any questions pertaining to their particular operations. We expect this Advisory will lead to greater compliance with the Communications Act in the marketing of prepaid calling cards. At the same time, however, we emphasize that section 201(b) provides important consumer protections and that we will continue to strictly enforce it.

**What happens if companies do not comply with the law?** Failure to comply with the Communications Act may subject a company to severe penalties including, but not limited to, substantial monetary forfeitures.

**What can consumers do if they encounter a problem with their prepaid calling cards?** Consumers should first contact their prepaid calling card service provider. If consumers are unsatisfied with their service provider’s response, we encourage them to contact the FCC at 1-888-CALL-FCC (1-888-225-5322) or to file a complaint online at [www.fcc.gov/complaints](http://www.fcc.gov/complaints).

**Need More Information?** To help consumers make informed purchasing decisions, the FCC has issued a [Consumer Guide](#) and a [Tip Sheet](#). For additional information, contact Eric Bash of the Enforcement Bureau at 202-418-2057 or [eric.bash@fcc.gov](mailto:eric.bash@fcc.gov). Please direct media inquiries to Neil Grace at 202-418-0506 or [neil.grace@fcc.gov](mailto:neil.grace@fcc.gov). For general information on the FCC, you can contact the FCC at 1-888-CALL-FCC (1-888-225-5322) or visit our website at [www.fcc.gov](http://www.fcc.gov).

To request materials in accessible formats for people with disabilities (Braille, large print, electronic files, audio format), send an email to [fcc504@fcc.gov](mailto:fcc504@fcc.gov) or call the Consumer & Governmental Affairs Bureau at 202-418-0530 (voice), 202-418-0432 (TTY). You may also contact the Enforcement Bureau on its TTY line at 202-418-1148 for further information about this Enforcement Advisory, or the FCC on its TTY line at 1-888-Tell-FCC (1-888-835-5322).

Issued by: Chief, Enforcement Bureau

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<sup>1</sup> 47 U.S.C. § 201(b). The FCC has found companies liable for unfair and deceptive marketing as an “unjust and unreasonable practice” under section 201(b). See, e.g., *NOS Communications, Inc.*, Notice of Apparent Liability for Forfeiture, 16 FCC Rcd 8133 (2001); *Business Discount Plan, Inc.*, Order of Forfeiture, 15 FCC Rcd 14461 (2000).

<sup>2</sup> See also *Locus Telecommunications, Inc.*, Notice of Apparent Liability for Forfeiture, 26 FCC Rcd 12818 (2011); *Lyca Tel, LLC*, Notice of Apparent Liability for Forfeiture, 26 FCC Rcd 12827 (2011); *Simple Network, Inc.*, Notice of Apparent Liability for Forfeiture, 26 FCC Rcd 16669 (2011); *STi Telecom Inc.*, Notice of Apparent Liability for Forfeiture, 26 FCC Rcd 12808 (2011); *Touch-Tel USA, LLC*, 26 FCC Rcd 12836 (2011).