

Federal Communications Commission
Consumer and Governmental Affairs Bureau
White Paper on Bill Shock
October 13, 2010

Cell phones, smart phones, and other wireless devices are becoming indispensable, high-technology tools in the lives of millions of Americans. In addition to helping us talk to one another, they're the tools we use for texting, surfing the Web, watching video, and downloading a host of apps with a dazzling array of functions. There is no question that the wireless industry has become one of the most innovative industries in American technology today.

But as mobile devices have become more and more complex, consumers have had to navigate more complex plans, choices, and bills. The complexity and confusion put them at increasing risk for "bill shock," a sudden, unexpected increase in their mobile bill from one month to the next. Some of these consumers complain to the FCC, and our database of consumer complaints gives a window on the types of bill shock consumers experience, the potential cost, and some possible remedies.

Each year, the Consumer and Governmental Affairs Bureau of the FCC handles thousands of complaints on billing, poor service, and other problems affecting telephone and other communications services. The FCC often mediates between consumers and their carriers, and helps consumers achieve redress. The FCC tracks every complaint from beginning to end and keeps a database of complaints going back several years, a unique source of information about the problems consumers experience. In this White Paper, the Consumer and Governmental Affairs Bureau presents an analysis of recent complaints about wireless carriers and "bill shock." The analysis shows that bill shock is a relatively common problem and one that can be extremely costly.

Bill shock can result from a number of causes, including promotional rates that unexpectedly expire, unclear advertising, or taxes or fees that were not disclosed at point of sale. Many bill shock cases in the FCC complaint database relate to unexpected increases from roaming fees or exceeding a monthly allotment of voice minutes, text, or data consumption. These problems may occur because mobile service providers don't always provide consumers with the tools needed to monitor and control their usage or give them complete information concerning the tools that are available.

Main Findings

Our detailed analysis of bill shock complaints has yielded several findings about the disputes that consumers had with carriers in the first six months of 2010. First, it sheds light on the causes of bill shock. Because many cases contain elements of more than one type of bill shock, it's difficult to do a precise quantitative analysis of the different categories. But the database does highlight several causes that account for large numbers of consumer complaints:

- International roaming charges that consumers run up without realizing it, and that can add up to thousands of dollars.

- Charges that accrue when consumers exceed the limits on their voice, text, or data plans, and begin accumulating high charges at a per-minute rate.
- Unexpected charges when a phone is used with Wi-Fi in “airplane mode.”
- Charges for mandatory data plans that are included with new phones and plans without the consumer being aware.
- Taxes and other fees of which a consumer was not aware.
- Confusion about promotional rates, plans, and billing – including unclear or inconsistent guidance from salespeople and customer service representatives.

Complaints to the FCC also show that bill shock cases in the thousands of dollars – the kinds of cases that have been the subject of many press reports – are not an anomaly. Out of 764 bill-shock complaints in the first six months of 2010:

- 67 percent concerned amounts of \$100 or more.
- 20 percent – 150 complaints - were for \$1000 or more.
- Eight complaints were for \$10,000 or more.
- The largest complaint in the first half of the year was for \$68,505.

Even complaints at lower dollar levels can be very significant for consumers who are on a budget.

How Common is Bill Shock?

Two national representative surveys have found that bill shock is a common phenomenon. The Government Accountability Office has reported that 34 percent of wireless phone users responsible for paying for their services received unexpected charges on their bills in 2008 and early 2009 (<http://www.gao.gov/new.items/d1034.pdf>). And in a survey done in April-May 2010, the FCC found that 17 percent of all Americans with cell phones – a total of 30 million people – had experienced a sudden increase in their bill that occurred even when they had not changed their calling or texting plan. The percentage in the FCC study may have been smaller than the GAO’s because we surveyed a larger group: all adults with a personal cell phone, not just the people who pay their own cell phone bills.

In contrast to these surveys, the FCC’s complaint data cannot be used to project how many Americans experience bill shock, since it is only a sample of people who had the desire and knowledge to complain to the FCC. Still, the complaint database does give a sense of how bill shock compares to other common consumer issues.

With 764 complaints on bill shock in the first half of 2010, the FCC is now receiving bill shock complaints at a rate of about 1,500 per year. To put that number into context, the FCC in the last full year on record (2009) received about 3,200 complaints for “mystery

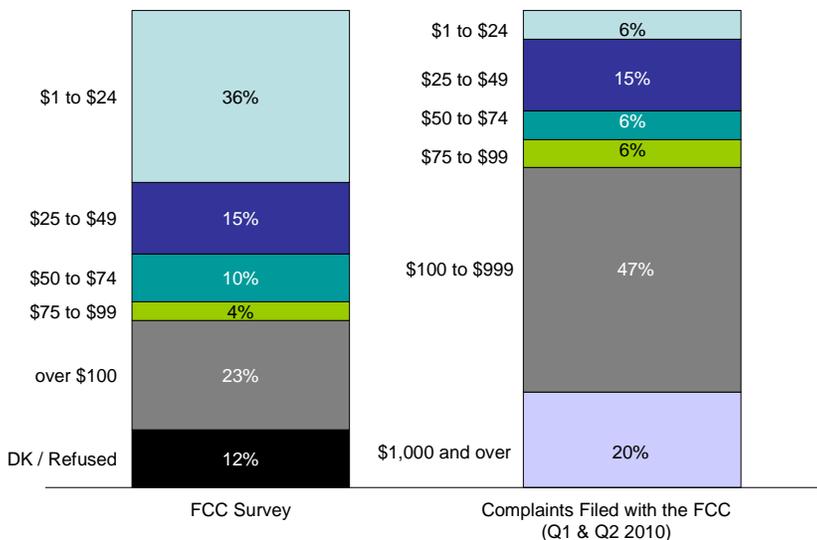
fees” – charges, also known as “cramming,” that appear on a phone bill for services the consumer did not order or agree to. The FCC received about 1,900 complaints about early termination fees (ETFs) in all of 2009. The volume of bill shock complaints is comparable to the complaint volume for these other two consumer problems.

The True Cost of Bill Shock

The FCC’s database includes cases at all stages of resolution. Some cases are under review by the FCC; in others, the FCC has served the carrier with a complaint; in others, the FCC is an active mediator; and in some cases, the bill has been resolved to the consumer’s satisfaction. There’s no way to assess fully how most consumers experience bill shock from our own database. But we do see certain patterns. It can take months or years for a complaint to be resolved, even with the FCC’s mediation. Consumers may risk having their service interrupted or their credit rating hurt. And even when a carrier does offer the consumer a settlement, it may not be as much as they believe they deserve.

The dollar amounts of the complaints in our database are also significant. As the bar graph below shows, our database has a greater percentage of complaints concerning large amounts in dispute than we found in our survey of the population as a whole. This is not surprising: The database is made up of people who were concerned and motivated enough to complain to us. But even so, the fact that the FCC receives hundreds of bill-shock complaints a year in excess of \$1000 shows that these large disputed amounts are more common than one might expect.

Distributions of Monthly Amounts Under Dispute



Source: Federal Communications Commission Wired and Wireless Internet Survey, April-May 2010; Consumer and Governmental Affairs Bureau Operations Data 2010, Federal Communications Commission.

Possible Remedies for Bill Shock

In May, the Consumer and Governmental Affairs Bureau of the FCC released a Public Notice exploring one possible set of remedies for bill shock. That document took note of the fact that the European Union has mandated automatic alerts to let consumers know when they are approaching the limits of their text, voice, and data plans, and when they are about to incur roaming charges. The Public Notice asked whether there would be technological reasons that such a remedy could not be applied in the United States.

While some wireless carriers do provide such alerts already, in some circumstances, the FCC's survey data from April-May 2010 show that the practice is not now applied in a way that helps all consumers. In that survey, 84 percent of people who had experienced bill shock said that their cell carrier did no contact them when they were about to exceed their allowed minutes, text messages, or data downloads, and 88 percent said they were not contacted even after their bill suddenly increased.

In addition to helping to prevent voice and text overages and roaming charges – which are probably the most common and most expensive forms of bill shock – alerts could also help avoid other kinds of bill shock, for example by alerting a consumer who thinks he is using free Wi-Fi that he is actually racking up data charges. The picture of bill shock that is now emerging will help inform our exploration of the best ways that usage alerts and other tools could help consumers.

Sample Bill Shock Complaints

These summaries of complaints from the first half of 2010 show the range of bill shock complaints received by the FCC. The cases listed here include complaints about all major wireless carriers.

\$8,553. The consumer had the service for almost eight months and was never previously charged more than \$59 a month. Consumer says they were not shown how to check usage, and then received this bill for internet usage.

\$5,312. This bill resulted from international roaming charges during a three-week trip to Europe. Consumer believes that terms of service were changed without notice or consent, and consumer was not informed of the high international roaming charges.

\$954. Consumer was billed for long distance while roaming in Alaska. He says that the account was set up with the carrier in a way that should not have incurred roaming charges. Consumer also says that he was billed for calls from an Alaskan city he never traveled to; that the carrier blamed the bill on the consumer's phone, which is in fact in working order; and that he was not given an opportunity to look at past bills.

\$400. Consumer says that she has been charged for overages in her daughter's text messages. She says there is no option to block numbers or stop messages once the daughter reaches her texting limit.

\$300. The consumer's plan allowed 300 text messages per month. A child on the plan sent about 2,000 text messages. The consumer stated that the carrier had originally told him that he would be contacted if the plan text messages were exceeded, but the carrier did not do so here.

\$98. The consumer, a senior citizen on a fixed income, reports that her carrier has overcharged for different amounts every month, and if the bill is not paid, service will be discontinued.