

How Top Wireless Carriers Compare on Consumer Protections For Mobile Payments

Most cell phone and tablet users can currently make mobile payments charged to a prepaid phone account or their monthly bill. But when consumers use these payment options, they may not get the protections they need to limit their financial liability if something goes wrong with the transaction. The protections they receive will vary depending on which wireless carrier they use and what's in their cell phone contract. That leaves consumers at risk and means they could end up losing money if they discover a fraudulent transaction or billing error, or when they aren't satisfied with their purchase.

In May 2011, Consumers Union called on the top wireless carriers to strengthen their contracts to provide consumers who make mobile payments charged to their wireless accounts with the same strong protections they are guaranteed by law when they shop with a credit card or debit card. In addition, Consumers Union urged the companies to provide consumers across the country with the same protections California phone customers are entitled to receive as a result of regulations adopted by the California Public Utilities Commission.

These protections are:

- Limit a consumer's liability for unauthorized transactions when false charges are made with a lost or stolen phone. A credit card customer's liability is limited by law to no more than \$50 for unauthorized charges resulting from a lost or stolen credit card. In practice, credit card issuers usually shield customers from any financial liability for fraudulent charges. Wireless carriers should do the same.
- Limit a consumer's liability for disputed charges to a prepaid wireless phone deposit or a wireless phone bill. If a billing error appears on a credit card customer's monthly statement, there is no liability for the customer as long as the customer reports the error within 60 days. "Billing error" includes a dispute with a merchant about the delivery or acceptability of goods and services. Wireless carriers should provide their customers with the same protection.
- Give consumers the right to have missing funds from disputed transactions re-credited within 10 business days. After a consumer reports a fraudulent transaction involving his or her debit card, the bank must either complete its investigation within 10 business days or provisionally re-credit the consumer's funds within that time. Wireless carriers should provide the same re-credit rights for customers who make mobile payments linked to prepaid phone accounts.

- Give consumers the right to withhold payment of any disputed charges while an investigation is pending and protection from penalties for withholding payment. California's PUC rule gives California phone customers the right to withhold payment of disputed charges while an investigation is being conducted. Investigations of disputed charges must be completed within 30 days. Wireless carriers should provide this same right to customers nationwide.
- Enable consumers to set a cap on the dollar amount for mobile payments which can be directly made to wireless accounts. The California PUC Rule allows consumers to block third party charges on their accounts.

Over the past few months, Consumers Union has been in communication with representatives from AT&T, Sprint, T-Mobile, and Verizon Wireless to find out how they handle disputed mobile payment transactions and whether the carriers are willing to adopt the protections outlined above in their customer contracts. All four carriers maintain that they provide ample protections for consumers.

However, the protections these carriers provide fall short of what consumers get when they use credit cards and debit cards or when California consumers report a disputed transaction on their phone accounts. In addition, many of the protections the wireless carriers described to Consumers Union are not disclosed in their contracts, making it difficult to know whether consumers can count on these safeguards when problems arise.

Below is a summary of the responses Consumers Union has received from AT&T, Sprint, T-Mobile, and Verizon Wireless and why they fall short of what consumers need.

AT&T

Unauthorized Charges Due to a Lost or Stolen Phone

What AT&T told Consumers Union: Consumers have no financial liability once they report a lost or stolen phone and don't have to pay for disputed charges during the investigation.

What's in AT&T's contract: If a call was placed from the customer's phone then the charge is considered authorized. Once the customer reports a lost or stolen phone then there is no liability for subsequent charges. The customer will get a response from AT&T about its investigation within 30 days. The customer is responsible for "all other obligations" while a phone is suspended.

What's Missing: Even though AT&T representatives told CU that customers are not responsible for disputed charges during the investigation, this is not made clear in the contract. AT&T should strengthen its contract by making it clear that customers are not responsible for fraudulent charges -- even those incurred before a customer reports a lost or stolen phone.

Billing Errors

What AT&T told Consumers Union: Customers can get a full refund for valid claims of unauthorized charges.

What's in AT&T's contract: Customers have to pay disputed charges that are not due to a lost or stolen phone. The customer must dispute these charges in writing within 100 days of the date of the bill. The customer must pay a collection fee plus interest if they fail to pay billed charges when due and their bill is sent to collections. Customers can seek refunds for purchases if they are not satisfied.

What's Missing: There is no reference to billing errors in the contract. Consumers may have to pay for disputed charges unrelated to a lost or stolen mobile device during the investigation. Customers with a prepaid wireless phone deposit don't have the right to have funds re-credited during the investigation. AT&T should strengthen its contract to make clear that customers are not liable for disputed charges involving a billing error as long as the customer reports the error within 100 days.

Re-Credit Rights

What AT&T Told Consumers Union: Adjustments will be made immediately and customers will be re-credited within 2-3 business days. Most adjustments are immediate. Customers will get a response within 2 days. In rare cases a response may take up to 30 days.

What's In AT&T's Contract: There is no disclosure about re-credit rights other than that the customer will find out the results of an investigation within 30 days.

What's Missing: While AT&T says that most investigations are completed within 2 days, some can take as long as 30. The customer may have to wait as long as 30 days before an investigation is complete and has no contractual right to get funds re-credited before the investigation is complete. AT&T should strengthen its contract by making it clear that customers using a prepaid account have the right to a provisional re-credit of their account within ten days if investigations involving fraudulent transactions have not been completed within that time period.

Right to Withhold Payment for Disputed Charges

What AT&T told Consumers Union: AT&T does not require payment of disputed charges and/or associated fees. Customers don't have to pay for disputed charges during the investigation.

What's In AT&T's Contract: The contract only specifies that California consumers can withhold payment for disputed charges while an investigation is pending. The contract implies that payment is required. Customers can contest charges for purchases if they are not satisfied.

What's Missing: Even though AT&T told Consumers Union that customers don't have to pay for disputed charges during an investigation, the contract does not disclose this right except for those customers living in California. AT&T should strengthen its contract to make it clear that customers nationwide have the right to withhold payments while disputed charges are being investigated.

Limits on Allowable Charges

What AT&T Told Consumers Union: AT&T provides customers with multiple options to control purchases. AT&T caps mobile purchases to \$100 per line per month. Customers have the right to block all third party charges at no cost.

What's In AT&T's Contract: The AT&T contract does not provide information regarding blocking third party charges. AT&T's contract does refer to "Smart Limits" in the context of limiting others from making purchases with a device. A link to the "SmartLimits" service provides information that customers will be charged a \$4.99 monthly fee per line and indicates that it doesn't work if using WiFi.

What's Missing: AT&T should disclose in its contract that customers have the ability to block third party charges at no cost. And AT&T should enable its customers to set their own limits at a particular dollar amount at no cost.

Sprint

Unauthorized Charges Due to a Lost or Stolen Phone

What Sprint told Consumers Union: Consumers should lock their mobile devices or use applications that will mitigate problems with lost or stolen mobile devices. Sprint will investigate and typically credit the consumer for unauthorized charges.

What's In Sprint's Contract: Customers must call or write immediately about a lost or stolen phone or may be liable for charges made before notifying Sprint.

What's Missing: Sprint should strengthen its contract by making it clear that customers are not responsible for fraudulent charges -- even those incurred before a customer reports a lost or stolen phone.

Billing Errors

What Sprint Told Consumers Union: Sprint indicated that it has a "liberal refund policy" for disputes involving Premium SMS charges (such as for games, ringtones, and screen

savers). After a consumer reports an initial dispute, Sprint will grant a credit or refund and opt out the customer from the disputed short code campaign or subscription. If the customer re-subscribes and reports a second dispute, Sprint will typically issue a second credit or refund. If the customer continues to opt-in to the program, he or she will be held responsible for all charges. For unauthorized charges involving Sprint's Direct Carrier Billing (DCB) program, the carrier directs the customer to contact the DCB aggregator to resolve the dispute. However, Sprint indicated that its systems and policies are designed to permit refunds for these purchases.

What's In Sprint's Contract: Customers have to pay for all undisputed charges. The customer must pay a late payment charge if they fail to pay billed charges when due. Customers must properly report disputed charges in writing or by calling Sprint within 60 days of the date of the bill that initially contained the charge.

What's Missing: It remains unclear whether consumers will get a refund for disputed DCB charges. While Sprint maintains that its policies permit refunds for disputed charges, these rights are not made clear in the contract. With Premium SMS charges, Sprint will make a refund for the first and second consumer dispute and educate the consumer as to how to block these types of charges. However, consumers may be liable for disputed charges after the second complaint. Sprint should strengthen its contract to make it clear that the customer has no liability for disputed charges involving billing errors reported within 60 days.

Re-Credit Rights

What Sprint Told Consumers Union: Refunds are provided after the first and second time a consumer complains about disputes involving premium SMS charges. These refunds are reflected in the next invoice if the amount has already been paid. If the amount has not been paid, it is credited back to the account. The customer may or may not receive a refund for disputes involving DCB purchases which are made through third parties such as BilltoMobile and Google and depend on the third party's terms of service.

What's In Sprint's Contract: There is no disclosure about re-credit rights. Additionally, the contract does not specify how long an investigation regarding disputed charges will take.

What's Missing: While Sprint indicated that it provides prompt credit for the first two times a customer reports a dispute and that customers can seek a credit from the DCB aggregator for disputed DCB charges, these re-credit rights are not disclosed in the contract. Sprint should strengthen its contract by making it clear that customers using a prepaid account have the right to a provisional re-credit of their account within ten days if investigations involving fraudulent transactions have not been completed within that time period.

Right to Withhold Payment For Disputed Charges

What Sprint Told Consumers Union: Sprint did not address this issue in their letter to Consumers Union.

What's In Sprint's Contract: Customers do not have to pay for disputed charges as long as disputed charges are properly reported within 60 days of the date of the bill that initially contained the charge.

What's Missing: Sprint's contract provides needed protections. Customers do not have to pay for properly disputed charges according to Sprint's Terms.

Limits on Allowable Charges

What Sprint Told Consumers Union: Sprint currently has a \$25 monthly limit per mobile number for purchases. Sprint also gives customers the ability to block all third party charges at no cost.

What's in Sprint's contract: There is no language in the contract regarding a customer's right to block third party charges at no cost.

What's Missing: Sprint should disclose in their contracts that customers have the right to block all third party charges and consumers should be informed about the \$25 monthly limit per phone cap on third party charges.

T-Mobile

Unauthorized Charges Due to a Lost or Stolen Phone

What T-Mobile Told Consumers Union: T-Mobile's letter to Consumers Union says that its Terms and Conditions offer customers contractual protections against liability for unauthorized charges. The letter says to refer to the contract for more details

What's in T-Mobile's Contract: Charges made with the phone are considered authorized. A customer's phone will be suspended after it is reported lost or stolen and the customer will not be liable for subsequent charges. Californians are not responsible for charges before a lost or stolen phone is reported.

What's Missing: Customers outside of California are responsible for charges made before reporting the phone lost or stolen. Therefore, the consumer could end up paying for more than \$50 in fraudulent charges. T-Mobile should strengthen its contract by making it clear that customers are not responsible for fraudulent charges -- even those incurred before a customer reports a lost or stolen phone.

Billing Errors

What T-Mobile Told Consumers Union: T-Mobile's letter to Consumers Union says that its Terms and Conditions offer customers contractual protections against liability for unauthorized charges. The letter says to refer to the contract for more details.

What's in T-Mobile's Contract: Customers must pay all charges billed to phone. Customers must dispute charges in writing within 60 days after the date a customer first receives the disputed bill or charge.

What's Missing: Customers may have to pay for disputed charges during the investigation. Customers with a prepaid wireless phone deposit don't have the right to have funds re-credited during investigation. T-Mobile should strengthen its contract to make clear that customers have no liability for billing errors as long as they report the errors within 60 days. All customers should be notified within 30 days about the result of investigations involving disputed transactions.

Re-Credit Rights

What T-Mobile Told Consumers Union: T-Mobile's letter to Consumers Union says that its Terms and Conditions offer customers contractual protections against liability for unauthorized charges. The letter says to refer to the contract for more details.

What's in T-Mobile's Contract: California customers will be notified within 30 days about the result of investigations involving disputed charges.

What's Missing: There isn't a limit on the amount of time a customer may have to wait, except for California customers who have to wait as long as 30 days before an investigation is complete and have no right to get funds re-credited before the investigation is complete. T-Mobile should strengthen its contract by making it clear that customers using a prepaid account have the right to a provisional re-credit of their account within ten days if investigations involving fraudulent transactions have not been completed within that time period.

Right to Withhold Payment For Disputed Charges

What T-Mobile Told Consumers Union: T-Mobile's letter to Consumers Union says that its Terms and Conditions offer customers contractual protections against liability for unauthorized charges. The letter says to refer to the contract for more details.

What's in T-Mobile's Contract: Consumers must pay for disputed charges while an investigation is pending. California consumers do not have to pay for disputed charges.

What's Missing: T-Mobile's contract only allows customers living in California to withhold payment during an investigation (which is required by the California PUC rule). T-Mobile should strengthen its contract to give customers nationwide the right to

withhold payments for disputed charges while an investigation is pending and that investigations will be completed within 30 days.

Limits on Allowable Charges

What T-Mobile Told Consumers Union: T-Mobile's letter to Consumers Union says subscribers can block direct carrier billing transactions at no charge by calling Customer Care or going to a T-Mobile store.

What's in T-Mobile's Contract: Customers can block third party products or services.

What's Missing: T-Mobile's contract provides needed protections and discloses customer options for limiting charges.

Verizon Wireless

Unauthorized Charges Due to a Lost or Stolen Phone

What Verizon Wireless Told Consumers Union: Verizon will provide a full refund when a customer calls Customer Care to report fraudulent charges due to a lost or stolen phone.

What's in Verizon Wireless' Contract: Customers don't have to pay for disputed charges during an investigation after they have reported a lost or stolen phone.

What's Missing: Verizon Wireless' contract provides the needed protections. Verizon expressly states in its Customer Agreement that its postpay customers do not have to pay for disputed charges relating to a lost or stolen wireless device.

Billing Errors

What Verizon Wireless Told Consumers Union: Consumers will be refunded for erroneous charges when they call Customer Care. Consumers who use BilltoMobile's service are subject to BilltoMobile's Terms of Use, and will be first referred to contact the merchant to resolve the disputed charge.

What's in Verizon Wireless' Contract: Customers must report disputed charges in writing within 180 days of the date the disputed charges was incurred. Customers are responsible for charges unless they are for a lost or stolen phone and they can be charged a late fee for withholding payment.

What's Missing: Verizon's contract terms are out of sync with what a representative of Verizon told Consumers Union. While Verizon officials maintain that the carrier credits disputed charges immediately once they receive a customer report, the contract indicates that customers are responsible for charges unless they are for a lost or stolen phone and that they can be charged a late fee for withholding payment. Verizon should strengthen

its contract to make it clear that the customer has no liability for billing errors reported within 180 days.

Re-Credit Rights

Does not apply. Verizon Wireless does not allow prepaid customers to make direct carrier billing charges

Right to Withhold Payment For Disputed Charges

What Verizon Wireless Told Consumers Union: Verizon indicated that they may credit customer accounts immediately when they call customer service to dispute a charge so there is no need for customers to withhold payment.

What's in Verizon Wireless' Contract: Customers can withhold payments for charges related to lost or stolen wireless devices.

What's Missing: Consumers may have to pay for disputed charges unrelated to a lost or stolen wireless device during the investigation. California consumers should be explicitly informed of their protections to withhold payment of disputed charges and that an investigation must be conducted within 30 days. Verizon should strengthen its contract to make it clear that customers nationwide have the right to withhold payment for disputed charges unrelated to a lost or stolen phone.

Limits on Allowable Charges

What Verizon Wireless Told Consumers Union: Mobile payment charges are limited to \$25 per month

What's in Verizon Wireless' Contract: Customers can block third party charges at no cost.

What's Missing: Verizon's contract provides needed protections and discloses customer options for limiting charges.