

Press Releases

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ATTORNEY GENERAL'S OFFICE WINS MAJOR SUIT AGAINST DELL

Court Rules that Dell Engaged in Fraud, False Advertising, and Deceptive Business Practices

Companies to Pay Restitution and Forfeit Unlawfully Earned Profits

NEW YORK, NY (May 27, 2008) - The Office of the Attorney General today won a groundbreaking lawsuit in Albany County Supreme Court against Dell, one of the world's leading computer companies, and its affiliate, Dell Financial Services, LP ("DFS"). State Supreme Court Justice Joseph C. Teresi, of Albany County, ruled today that Dell and DFS engaged in fraud, false advertising, deceptive business practices, and abusive debt collection practices.

The decision is from one of the first cases brought by Attorney General Andrew M. Cuomo in May 2007. It prohibits Dell and DFS from engaging in the illegal business practices cited in Cuomo's lawsuit. The Court will hold further proceedings to determine how much restitution Dell will have to pay to its customers and the amount of profits Dell unlawfully earned that must be forfeited to the State.

Attorney General Cuomo said, "For too long at Dell the promise of customer service was a bait and switch that left thousands of people paying for essentially no service at all. We have won an important victory that will force Dell to live up to its responsibilities and pay back its customers for profits that were pocketed but not deserved. This decision sends an important message that all corporations will be held accountable for the promises they make to consumers."

Justice Joseph C. Teresi said in his decision, "Dell has engaged in repeated misleading, deceptive and unlawful business conduct, including false and deceptive advertising of financing promotions and the terms of warranties, fraudulent, misleading and deceptive practices in credit financing and failure to provide warranty service and rebates."

According to the decision, Dell deprived consumers of the technical support to which they were entitled under their warranty or service contract by:

- Repeatedly failing to provide timely onsite repair to consumers who purchased service contracts promising "onsite" and expedited service;
- Pressuring consumers, including those who purchased service contracts promising "onsite" repair, to remove the external cover of their computer and remove, reinstall, and manipulate hardware components;
- Discouraging consumers from seeking technical support; those who called Dell's toll free number were subjected to long wait times, repeated transfers, and frequent disconnections; and
- Failing to provide rebates that were promised to consumers.

Justice Teresi concluded that Dell lured consumers to purchase its products with advertisements that offered attractive "no interest" and/or "no payment" financing promotions. In practice, however, the vast majority of consumers, even those with very good credit scores, were denied these deals. In a classic "bait and switch" scheme, DFS instead offered consumers financing at

high interest rates, which often exceeded 20%. Dell and DFS frequently failed to clearly inform these consumers that they had not qualified for the promotional terms, leaving many to unwittingly finance their purchase at high interest rates.

The decision also held that DFS incorrectly billed consumers on cancelled orders, returned merchandise, or accounts they did not authorize Dell to open, and then continually harassed these consumers with illegal billing and collection activity. Although many consumers repeatedly contacted Dell and/or DFS to advise them of the errors, DFS did not suspend its collection activity and Dell failed to expeditiously credit consumers' accounts, even after assuring consumers it would do so. As a result, many consumers have been subjected to harassing collection calls for months on end and have had their credit ratings harmed.

Attorney General Cuomo first sued Dell and DFS in May of 2007. The affiliate DFS is the product of a joint venture between Dell and CIT Bank; it offers financing to consumers for their Dell purchases.

This case was handled by Assistant Attorney General Amy Schallop of the Consumer Frauds and Protection Bureau, under the supervision of Mark Fleischer, Deputy Bureau Chief of the Consumer Frauds and Protection Bureau, and Joy Feigenbaum, Chief of the Consumer Frauds and Protection Bureau.

Attachments:

- [Decision and Order](#)

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