

CUOMO ANNOUNCES DELL WILL PAY \$4 MILLION FOR DEFRAUDING NEW YORK CONSUMERS

Announcement Follows Cuomo's Win in Case Charging Dell With Fraud, False Advertising and Deceptive Practices

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Consumers Defrauded by Dell Encouraged to Contact the AG's Office or Visit Updated Website at www.nyagdell.com to get money back

[\[En Español\]](#)

NEW YORK, N.Y. (September 15, 2009) – Attorney General Andrew M. Cuomo today announced that Dell and its subsidiary, Dell Financial Services (DFS), have agreed to pay the Attorney General's Office \$4 million in restitution, penalties and costs to resolve charges of fraudulent and deceptive business practices that scammed consumers across New York State.

The settlement follows a decision of the New York Supreme Court, Albany County, which sustained Attorney General Cuomo's claims that Dell had engaged in fraud, false advertising, deceptive business practices, and abusive debt collection practices. The court's decision came as a result of the original lawsuit filed by Cuomo's Office, which charged that Dell engaged in bait and switch advertising with respect to its "no interest" financing promotions, misled consumers to believe they had qualified for promotional financing, failed to adequately disclose the terms of its "next day" service contracts and failed to provide consumers with warranty service and promised rebates.

"Today's announcement is the final step in ensuring New Yorkers harmed by Dell's deceptive and illegal business practices are fully compensated," said Attorney General Cuomo. "Going forward, this deal means that Dell will have to clearly and fully disclose the terms and conditions of their products and services, to avoid this kind of fraud at the consumer's expense. My office is committed to ensuring a fair and honest marketplace across New York by rooting out these unlawful practices, and we encourage anyone who was ripped off by Dell to come forward and file a claim to get their money back."

Along with the \$4 million in restitution, penalties and fees, the settlement also requires Dell to make sweeping changes to its advertising, sales and financing practices. Among other things, Dell will be required to advise consumers *before* they purchase an "at home" or "on site" service contract that they may be required to engage in diagnostic activity over the telephone that includes consumers themselves opening their computers to access internal components. The settlement also requires Dell to disclose in its advertisements for promotional financing the estimated percentage of consumers who will actually qualify for the promotion.

According to the Court's decision upholding the Attorney General's lawsuit, Dell deprived consumers of the technical support to which they were entitled under their warranty or service contract by:

- Repeatedly failing to provide timely on site repair to consumers who purchased service contracts promising "on site" and expedited service;

- Pressuring consumers, including those who purchased service contracts promising "on site" repair, to remove the external cover of their computer and remove, reinstall, and manipulate hardware components; and

- 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.

The court 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 percent. 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.

Chuck Bell, programs director at Consumers Union, publisher of Consumer Reports magazine, said: "Especially in difficult economic times, consumer fraud continues to threaten hard-working New Yorkers everywhere. We applaud Attorney General Cuomo's persistent efforts to enforce New York State's consumer protection laws, and achieve comprehensive agreements with industry that make the marketplace work better for all of us. This remarkable agreement with Dell provides restitution to consumers who were harmed, and prevents unfair sales and warranty practices from taking place in the future."

Consumers who were harmed by Dell's deceptive conduct can file a claim for restitution using special claim forms that are posted on the Attorney General's website, www.nyagdoll.com

Consumers can also obtain a claim form by calling 1-800-771-7755. Those consumers who have already submitted a claim form and have been notified by our office that a claim was submitted on their behalf do not need to take any further action and will receive a check in the mail shortly. Those seeking additional information can visit our website or call our toll free phone number.

Eligible New York consumers include:

- Consumers who financed their computers (and paid interest) after being led to believe that they had qualified for a no-interest promotion (e.g., 90 days, 6 months, 12 months);

- Consumers who did not receive promised rebates;

- Consumers who had difficulty getting Dell to make repairs that were covered by a Dell warranty or service contract;

- Consumers who did not get promised next day/on site service under service contracts.

The case was handled by Assistant Attorney General Amy Schallop and Senior Enforcement Counsel David Holgado under the supervision of Joy Feigenbaum, Bureau Chief, Consumer Frauds and Protection Bureau.