

Largest Consumer Protection Verdict Ever Awarded in Iowa

March 10, 2011

On Tuesday, a state judge in Iowa ordered Vertrue, Inc. (formerly known as MemberWorks, Inc.) to pay \$32.6 million in consumer restitution, civil penalties, and costs in connection with a ruling that the company violated the state's buying club law and used deceptive and unfair practices to market buying club memberships. The memberships typically cost \$9.95-\$19.95 per month, charged to the consumer's credit card or bank account and were advertised to provide discounts on goods and services such as books, clothing, and entertainment.

The court concluded that it was deceptive and unfair to offer gift cards and other premiums as incentives to register, then to set up obstacles designed to delay efforts to redeem the premiums. In addition, the court noted that 90% of the consumers who purchased Vertrue memberships would have cancelled within the statutory three-day period if the cancellation rights had been properly disclosed. Responding to the verdict, the Attorney General stated that the decision is the largest consumer protection verdict ever awarded in Iowa in a case brought by the Attorney General, and one of the largest in the nation.

This case is another example of recent scrutiny over registration incentives or "risk free" memberships and recurring billing offers. Companies engaged in these activities should carefully review current offers to ensure that terms and conditions are conspicuously disclosed and that consumers are able to take advantage of cancellation policies without hassles.