

Washington Attorney General Settles with T-Mobile Over Ad Claims

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The Washington Attorney General recently announced a court-ordered agreement with T-Mobile over the company's new advertising campaign. T-Mobile has been promoting a new service plan that offers "no restrictions," "no annual contract," and no requirement that customers "serve a two-year sentence." The plan, however, does not include a phone. Instead, T-Mobile offers consumers an option to purchase a phone at a monthly rate over a two-year term. (They also offer other phone options.) Consumers who purchase a phone must pay the full cost of the phone if they cancel before the end of the two-year period.

The Attorney General alleged that T-Mobile misled consumers by advertising the absence of restrictions, an "annual contract," and a "two-year sentence," without adequately disclosing that customers who terminate their service before a device is paid off will have to pay the balance due on the phone upon cancellation. In some cases, the cost is higher than the early termination fee charged by other carriers. According to the press release: "Instead of a 'two-year sentence' for wireless service, consumers face a different two-year 'sentence' to avoid a lump-sum balloon payment for the phone."

As part of the settlement, T-Mobile agreed to change the way it advertises the plan, to contact customers who purchased phones under the plan and advise them of their right to cancel and get a refund, and to pay attorney's fees and costs.

This settlement serves another reminder that companies need to clearly and conspicuously disclose the material terms of their offers. You can't just highlight the benefits of a product or service, and bury the costs and restrictions in the fine print.