

NEWS RELEASE



Attorney General Edmund G. Brown Jr.
California Department of Justice
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FOR IMMEDIATE RELEASE

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Brown Resolves Confusing AOL Cancellation Policy

SACRAMENTO – California Attorney General Edmund G. Brown Jr. today announced a \$3 million settlement with America Online (AOL), one of the nation’s largest Internet service providers. The prelitigation settlement, entered into by California, the District of Columbia and 47 other states, resolves complaints that AOL failed to disclose terms and conditions of paid service and made it extremely difficult for consumers to cancel their AOL pay services. Under today’s agreement AOL will make a number of improvements including: easier cancellation procedures, improved billing disclosures and commitment to refunding unauthorized charges.

Historically, AOL’s primary service has been dial-up Internet access, typically offered through a free trial offer that requires consumers to cancel their accounts to avoid a monthly membership fee. AOL announced in August 2006, that it would begin limiting its role as an Internet access provider and start allowing customers to convert to free e-mail accounts.

California Attorney General Edmund G. Brown Jr. said: “Today’s agreement will minimize the potential for consumer confusion during the transition to free e-mail accounts.”

Prior to this settlement, AOL only allowed customers to cancel their service by fax, mail or telephone. The majority of consumers called AOL directly and wound up speaking with service representatives who earned rewards, in some cases up to \$3000 per month, for persuading customers not to terminate service. Consumers complained that this practice of trying to “save” customers made cancellation extremely difficult if not impossible.

Today’s settlement puts strict limitations on the practice of “saving” customers and requires recording and verification of these telephone calls. In addition, consumers are now able to easily cancel service online at: <http://cancel.aol.com>.

Today’s settlement also requires AOL to change confusing billing practices. AOL will clearly disclose how terminated accounts are reactivated and the customer must now resubmit any payment information before AOL can reactivate a paid service. The company will also clearly disclose the exact charge that will be placed directly on a customer’s monthly telephone bill. AOL will also revise its practice of allowing consumers to create “spin off” accounts, which are additional paid accounts for AOL service that stem from one original membership. Under the settlement, these accounts can now only be created over the telephone and customer service agents must completely disclose the exact additional cost of creating a “spin off” account.

The agreement also requires AOL to give refunds to consumers who complained of unauthorized charges for AOL service. If a consumer can show AOL billing after a cancellation attempt, AOL will refund those charges. The company will continue cooperating with the state to resolve outstanding complaints and continue refunding consumers for unauthorized charges.

The California Attorney General's Office was on the executive committee that led the negotiated agreement. Other participants in today's settlement include: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin, and Wyoming, the Commonwealths of Kentucky, Massachusetts, Pennsylvania and Virginia, and the District of Columbia.

Under the settlement, AOL must provide a proper mailing address, fax number, and e-mail address where consumer complaints may be forwarded. Consumers who believe they have been charged by AOL for unauthorized service may contact the Attorney General's Public Inquiry Unit to make a complaint. Complaints may be made in writing to: Public Inquiry Unit, Attorney General's Office, Attn: P.O. Box 944255, Sacramento, CA 94244-2550, or by using the online consumer complaint form: http://ag.ca.gov/contact/complaint_form.php?cmplt=CL

The settlement agreement is attached.

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