

United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

WEB SITE: <http://commerce.senate.gov>

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July 10, 2009

Mr. Nathaniel Lipman
President
Affinion Group, Inc.
100 Connecticut Avenue
Norwalk, CT 06850

Dear Mr. Lipman,

The Senate Committee on Commerce, Science, and Transportation is examining the business and marketing practices of e-commerce retailers and the impact these practices have on internet consumers. In the course of its inquiry into these areas, the Committee has learned that Affinion Group, Inc., its subsidiaries, including Trilegiant Corporation, and their business partners have engaged in business and marketing practices on the internet that generate a high volume of consumer complaints. I am writing to request more information about these controversial practices.

According to the Better Business Bureau, a number of media reports, and other online sources, consumers regularly complain that your company charges their credit card or debit card on a monthly basis for services they are not aware they have purchased.¹ These complaints largely stem from Affinion's practice of acquiring consumers' personal information, including their credit card or debit card account numbers, while they are purchasing products or services at the websites of retailers who have contracted to be a business partner of an Affinion company.²

It appears your company and its subsidiaries' marketing practices have a wide reach, as they have partnered with well-known e-commerce retailers, including Priceline.com, Staples.com, and Classmates.com. These websites have apparently entered into business agreements with Affinion or one of its subsidiaries and have profited from transferring their customers' credit card or debit card account information to an Affinion company.

¹ See e.g., Better Business Bureau, *Company Reliability Report: Affinion Group, Inc.* (accessed on July 7, 2009); *BBB Warns Internet Users to Beware of Online Firm*, Deseret Morning News (Aug. 27, 2008); *Today Show*, NBC (Aug. 28, 2008); *Good Morning America*, ABC (July 11, 2008); *In Tough Times, Watch Out for Scams and for Surprises on Your Bill*, USA Today (July 8, 2008); Better Business Bureau, *BBB Receives Thousands of Complaints on Mysterious Credit Card Charges: U.S. Marketing Company is Charging Online Shoppers Every Month without Their Knowledge* (July 1, 2008).

² *Id.*

For consumers, this business arrangement means a “pop-up” window or hyperlink appears after they complete a purchase from the website of an Affinion business partner. These “pop-up” or hyperlinked windows typically offer consumers a cash back award for their next purchase. If they click the button and sign up for an online membership service or discount club offered by an Affinion company, their debit card or credit card account number is automatically forwarded to Affinion from the website where they completed their purchase. Until the consumer contacts Affinion to cancel the service, they are indefinitely charged a fee on a monthly or quarterly basis.

Thousands of consumers have complained that they did not intend to authorize Affinion or one of its subsidiaries to make regular charges to their credit or debit cards. Based on the practice described above, in July 2008, the Better Business Bureau warned consumers “to closely check their credit card statements for mysterious charges that are cropping up by the thousand across the country” because it had “received nearly 1,800 complaints regarding Affinion Group” in the last year.³

In order to help the Senate Commerce Committee better understand this practice and its impact on internet consumers, please provide the following information and documents:

1. Describe all the ways internet consumers have been able to sign up for online membership services or discount clubs offered by Affinion or an Affinion subsidiary (“Affinion or an Affinion subsidiary” is referenced herein as an “Affinion company”).
2. Identify every e-commerce retailer or website an Affinion company has entered into a business relationship with to market an Affinion company’s online membership services or discount clubs (also referenced herein as “partner”). For each of these business relationships, provide the following information and documents:
 - a. the length of the relationship, whether it is ongoing, the amount of revenue the relationship generated for an Affinion company and its partner on a yearly basis; and
 - b. copies of all contracts or agreements and all amendments to the contracts or agreements with the website or e-commerce retailer.
3. Identify and describe every online membership service or discount club any Affinion company has offered. For each of these online membership services or discount clubs, please provide the following information:
 - a. The number of customers who have signed up for the service;

³ Better Business Bureau, *BBB Receives Thousands of Complaints on Mysterious Credit Card Charges: U.S. Marketing Company is Charging Online Shoppers Every Month without Their Knowledge* (July 1, 2008)

- b. The number of customers who signed up for the service through “pop-up” windows or hyperlinks displayed on websites that have partnered with any Affinion company;
 - c. The number of customers who received a “cash back award” and the total amount of “cash back awards” distributed to customers;
 - d. The number of customers who were charged for at least one month of the service;
 - e. The number of customers who are currently signed up for the service;
 - f. The number of customers who have cancelled their membership;
 - g. The number of customers who, at any time, have been enrolled in the service for longer than 6 months;
 - h. The number of customers who, at any time, have been enrolled in the service for longer than 1 year;
 - i. The number of customers who, at any time, have been enrolled in the service for longer than 5 years;
 - j. The number of customers who have logged into the website for the Affinion company membership service or discount club for each year the online membership service or discount club has been in existence; and
 - k. The total number of customers who have logged into the website for the Affinion company membership service or discount club for the past 10 years.
4. All documents and communications related to internal discussions regarding internet consumers accidentally or unknowingly signing up for an online membership service or discount club offered by any Affinion company, including, but not limited to, documents and communications related to any Affinion company’s efforts to minimize this problem.
 5. All documents and communications related to customer complaints or inquiries about charges by any Affinion company to their credit card or debit card, including, but not limited to, documents and communications related to any compilation of the number of complaints in aggregate form.
 6. All communications between any Affinion company and any of their partners regarding:
 - a. customer complaints;
 - b. customer cancellations;
 - c. transferring consumer credit card or debit card account information from the Affinion company’s partner to the Affinion company, including instructions about how to transfer the data;
 - d. the post-transaction marketing techniques used to promote any Affinion company’s products or services, including the use of a cash back award or a “pop-up” window; and
 - e. if applicable, the termination of the business relationship.
 7. Documents sufficient to show every marketing practice, “pop-up” window, or piece of information any Affinion company has displayed to internet consumers on websites that

Letter to Mr. Nathaniel Lipman

July 10, 2009

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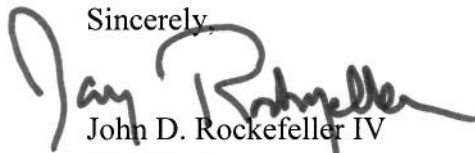
have partnered with any Affinion company, including screen shots showing the computer screens as the internet consumers saw them.

8. All communications between any Affinion company and any payment processing company, bank, credit card company, or debit card company regarding unauthorized charges, including, but not limited to, cardholder complaints or inquiries about unauthorized charges by Affinion.
9. All scripts, policies, manuals, or procedures that have been provided to any Affinion company employee to use in preparation for or during communications with any Affinion company customer, including, but not limited to, scripts, policies, manuals, or procedures for handling customer complaints or cancellations, and all documents and communications related to evaluations of any Affinion company employee's ability to handle customer complaints or cancellations.
10. Identify all subsidiaries, affiliates, or programs in which Affinion has a financial stake.
11. Copies of all articles of incorporation, annual or other periodic reports, and audited financial statements for Affinion for every year since its formation, including for any entity listed in response to question #10.

Please provide the requested information and documents by Friday, July 31, 2009.

The Committee is conducting this investigation under the authority of Senate Rules XXV and XXVI. An attachment to this letter provides additional information about how to respond to the Committee's request. If you have any questions, please contact Erik Jones or John Williams with the Committee staff at (202) 224-1300.

Sincerely,



John D. Rockefeller IV
Chairman

Enclosure

cc: Kay Bailey Hutchison
Ranking Member

United States Senate

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RESPONDING TO COMMITTEE DOCUMENT REQUESTS

In responding to the document request, please apply the instructions and definitions set forth below:

INSTRUCTIONS

1. In complying with this request, you should produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. You should also produce documents that you have a legal right to obtain, documents that you have a right to copy or have access to, and documents that you have placed in the temporary possession, custody, or control of any third party.
2. Documents responsive to the request should not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee.
3. In the event that any entity, organization, or individual denoted in the request has been, or is currently, known by any other name than that herein denoted, the request should be read also to include them under that alternative identification.
4. Each document should be produced in a form that renders the document susceptible of copying.
5. When you produce documents, you should identify the paragraph or clause in the Committee's request to which the documents respond.
6. Documents produced in response to this request should be produced together with copies of file labels, dividers, or identifying markers with which they were associated when this request was issued. To the extent that documents were not stored with file labels, dividers, or identifying markers, they should be organized into separate folders by subject matter prior to production.

7. Each folder and box should be numbered, and a description of the contents of each folder and box, including the paragraph or clause of the request to which the documents are responsive, should be provided in an accompanying index.
8. It is not a proper basis to refuse to produce documents that any other person or entity also possesses non-identical or identical copies of the same document.
9. The Committee accepts electronic documents in lieu of paper productions. If any of the requested information is available in machine-readable or electronic form (such as on a computer server, hard drive, CD, DVD, back up tape, or removable computer media such as thumb drives, flash drives, memory cards, and external hard drives), you should consult with Committee staff to determine the appropriate format in which to produce the information. Documents produced in electronic format should be organized, identified, and indexed electronically in a manner comparable to the organizational structure called for in (6) and (7) above.
10. If any document responsive to this request was, but no longer is, in your possession, custody, or control, you should identify the document (stating its date, author, subject and recipients) and explain the circumstances by which the document ceased to be in your possession, custody, or control.
11. If a date or other descriptive detail set forth in this request referring to a document, communication, meeting, or other event is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you should produce all documents which would be responsive as if the date or other descriptive detail were correct.
12. The request is continuing in nature and applies to any newly discovered document. Any document not produced because it has not been located or discovered by the return date should be produced immediately upon location or discovery subsequent thereto.
13. All documents should be bates-stamped sequentially and produced sequentially. In the cover letter, you should include a total page count for the entire production, including both hard copy and electronic documents.
14. The documents should be delivered to Room 516 of the Dirksen Senate Office Building. You should consult with Committee staff regarding the method of delivery prior to sending any materials.

15. In the event that a responsive document is withheld on any basis, you should provide the following information concerning any such document: (a) the reason the document is not being produced; (b) the type of document; (c) the general subject matter; (d) the date, author and addressee; (e) the relationship of the author and addressee to each other; and (f) any other description necessary to identify the document and to explain the basis for not producing the document.
16. If the request cannot be complied with in full, it should be complied with to the extent possible, which should include an explanation of why full compliance is not possible.
17. Upon completion of the document production, you should submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control which reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee or identified in a privilege log provided to the Committee, as described in (15) above.

DEFINITIONS

1. The term “document” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, interoffice and intra-office communications, electronic mail (e-mail), instant messages, calendars, contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, power point presentations, spreadsheets, and work sheets. The term includes all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments to the foregoing, as well as any attachments or appendices thereto. The term also means any graphic or oral records or representations of any kind (including, without limitation, photographs, charts, graphs, voice mails, microfiche, microfilm, videotapes, recordings, and motion pictures), electronic and mechanical records or representations of any kind (including, without limitation, tapes, cassettes, disks, computer server files, computer hard drive files, CDs, DVDs, memory sticks, recordings, and removable computer media such as thumb drives, flash drives, memory

cards, and external hard drives), and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, electronic format, disk, videotape or otherwise. A document bearing any notation not part of the original text is considered to be a separate document. A draft or non-identical copy is a separate document within the meaning of this term.

2. The term “documents in your possession, custody or control” means (a) documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, or representatives acting on your behalf; (b) documents that you have a legal right to obtain, that you have a right to copy, or to which you have access; and (c) documents that you have placed in the temporary possession, custody, or control of any third party.
3. The term “communication” means each manner or means of disclosure, transmission, or exchange of information, in the form of acts, ideas, inquiries, or otherwise, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether face-to-face, in a meeting, by telephone, mail, e-mail, instant message, discussion, release, personal delivery, or otherwise.
4. The terms “and” and “or” should be construed broadly and either conjunctively or disjunctively as necessary to bring within the scope of this request any information which might otherwise be construed to be outside its scope. The singular includes the plural number, and vice versa. The masculine includes the feminine and neuter genders.
5. The terms “person” or “persons” mean natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, and other units thereof.
6. The terms “referring” or “relating,” with respect to any given subject, mean anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is in any manner whatsoever pertinent to that subject.