

FTC FACTS for Consumers

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FOR THE CONSUMER

FEDERAL TRADE COMMISSION

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Buying Time: The Facts About Pre-Paid Phone Cards

Pre-paid phone cards represent telephone calling time you buy in advance. You pay from \$2 to \$20 or so to buy local or long-distance calling time; the amount of time you buy depends on the rate-per-minute charged. For many people, pre-paid phone cards are very convenient. You've paid for the phone time and you can use the card from any phone to make your calls.

But the Federal Trade Commission (FTC), the nation's consumer protection agency, says that some pre-paid phone cards can have hidden costs. As a result, they don't deliver the number of calling minutes they advertise. Because you pay in advance, you may be out of pocket — and out of luck — if you discover a problem trying to use the card. That's a big difference between pre-paid phone cards and traditional long distance calling cards, where charges don't appear on your bill until after you've made the call.

You can buy pre-paid phone cards at newsstands, grocery and convenience stores, travel agencies, retail stores, and on the Internet. People who regularly call overseas use them, as do travelers, students, and those who may not have long-distance telephone service. You can add minutes to many pre-paid phone cards, usually by charging the additional cost to your credit card.

HOW PRE-PAID PHONE CARDS WORK

Most pre-paid phone cards display a local or toll-free access telephone number and a personal identification number (PIN). The companies that issue the cards have computers that use your PIN to keep track of your card usage — how much time you have on your card in minutes or units. To make a phone call, you dial the access number, enter your PIN, and at the voice prompt, enter the phone number you want to reach. A computer tells you how much time — or how many units — you have left on your card, and how to use other features your card may offer. If your pre-paid phone card can't be recharged — that is, if you can't use the telephone to buy additional minutes for the card — you'll need to buy another card once you've used up the time or units on your card.

When you buy a pre-paid phone card from a store, it's important to remember that the store doesn't control the quality of the service. To make sure you're getting what you pay for, try buying a card for a small denomination first to test out the service.

CONSUMER CONCERNS

There's no question that prepaid phone cards offer convenience. But sometimes, the cards don't work as promised. Some people who have bought and used these cards have registered complaints about:

- cards that don't deliver the number of calling minutes they advertise

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- cards that debit minutes or units even when you don't connect with the number you're calling
- hidden connection charges, taxes, and surcharges that increase the rate-per-minute
- bad connections
- access numbers or PINs that don't work
- customer service numbers that are busy or simply don't work
- toll-free access numbers that are constantly busy, preventing you from using the card
- issuers who go out of business and leave cardholders with a useless card

BUYING TIME AND VALUE

You can avoid many of these problems — and buy considerable peace of mind — by planning. Although many people buy pre-paid phone cards on-the-spot, you can avoid disappointment by doing some advance work:

- Ask any retailer if they will stand behind the card if it doesn't deliver the number of minutes advertised.
- Check the card's package or in-store advertising for domestic and international rates. If you can't find the rate, consider buying a different card.
- Look for disclosures about surcharges, "maintenance" fees, and fees for making calls from a pay phone, to a cell phone, or using a toll-free access number.
- Compare rates. Very low rates, particularly for international calls, may be a warning sign that the card won't deliver the number of advertised minutes.
- Look for expiration dates.
- Look for a toll-free customer service number. If the customer service number isn't toll-free or displayed, it may be difficult to contact the company if you have a problem with the card.

- Make sure you can understand the instructions on the card.
- Make sure the card comes in a sealed envelope or that the PIN is not visible. Otherwise, anyone can copy the PIN and use the phone time you're paying for.

SELLING CARDS

If you want to distribute pre-paid phone cards or sell them in your store, the same considerations apply. Ask the distributor for references of the company providing the phone time. Very, very low rates may be a sign that the card won't deliver the number of minutes it promises to. Consumers who buy cards that don't deliver the advertised minutes are more likely to return to your store expecting a refund.

FOR MORE INFORMATION

If your pre-paid phone card doesn't work — even after you've called the customer service number — contact:

- The Federal Trade Commission (ftc.gov or 1-877-FTC-HELP)
- Your local Consumer Affairs Department or state Attorney General
- Your local Better Business Bureau to file a complaint or get a report based on customer experience.

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.