

omplying with the **900-Number Rule**

 Television Ads

 Radio Ads

 Preambles

 Cost Disclosures

 Print Ads

 Billing Errors

 Advertising to Children

**A Business Guide Produced by the
Federal Trade Commission**

November 1993

Contents

Introduction	1
Who Must Comply with the FTC Rule	2
What Is a Pay-Per-Call Service	
Where Does the Rule Apply	
When Does the Rule Not Apply	
Advertising a Pay-Per-Call Service	4
General Requirements for All Disclosures	
Cost Disclosures for All Ads	
Sweepstakes and Games of Chance Disclosures	
Federal Programs Disclosure	
Advertising to Children	8
Bona Fide Educational Services	
Ads and Services Directed to Children	
Directing Ads to Those Under 18	
Presentation of Parental Permission Disclosure	
When The Parental Permission Disclosure Is Required	
The Preamble	11
No Charge to Caller for Preamble Time	
Exemption for Nominal Cost Calls	
Exemption for Data Service Calls	
Bypass Mechanisms	
Other Provisions of the Rule	13
Telephone Solicitations	
Special Rule for Infrequent Publications	
The Use of 800 Numbers	
Broadcast Ads That Emit Tones to Dial a 900 Number	
Service Bureaus	
Billing Limitations and Billing Statements	
Billing and Collection for Pay-Per-Call Services	15
Billing Entities	
What Is a Billing Error	
Who May Assert a Billing Error	
How Customers Should Handle Billing Errors	
How to Respond to Billing Error Notices	
The Customer's Rights During the Billing Review	
After the Billing Review	
Forfeiture Penalty	
When Property Is Returned and Debt Is Forgiven	
The Customer's Right to Assert Claims or Defenses	
Notice of Billing Error Rights	

Introduction

When dialing pay-per-call services, consumers did not always know how much the call would cost and what they would get for their money. To help them get this information more readily, Congress passed the Telephone Disclosure and Dispute Resolution Act in 1992. This Act required the Federal Trade Commission (FTC) to adopt rules governing the pay-per-call services industry. The FTC's 900-Number Rule, which became effective November 1, 1993, covers the advertising and operation of pay-per-call services, as well as billing and collection procedures for those services.

You also should know that the Federal Communications Commission (FCC) has



issued a rule that applies to common carriers that assign telephone numbers for interstate pay-per-call services. To learn more about this rule, contact: FCC - Common Carrier Bureau, Informal Complaints and Public Inquiries Branch, Washington, DC 20554.

If you operate a pay-per-call service or provide billing for a pay-per-call service, this booklet explains how you can comply with the FTC's 900-Number Rule.

This booklet represents the Federal Trade Commission staff's view of what the law requires. It is not binding on the Commission.

If you have further questions after reading this booklet, you can contact:

Division of Marketing Practices
Bureau of Consumer Protection
Federal Trade Commission
Washington, DC 20580
(202) 326-3128

Who Must Comply with the FTC Rule?

All providers of pay-per-call services must comply with the FTC 900-Number Rule. A “provider of pay-per-call services” (or “information provider”) is any person who sells or offers to sell a pay-per-call service.

Service bureaus, which provide access to telephone service and voice storage to information providers, may be found liable for violations of the 900-Number Rule where they knew—or should have known—that pay-per-call services using their call-processing facilities were violating the rule. Also, billing entities that send billing statements for pay-per-call services must comply with the billing and collection provisions of the 900-Number Rule.

What Is a Pay-Per-Call Service?

A “pay-per-call service” is defined in the rule and the statute as “any service--

- (A) in which any person provides or purports to provide--
 - (i) audio information or audio entertainment produced or packaged by such person;
 - (ii) access to simultaneous voice conversation services; or
 - (iii) any service, including the provision of a product, the charges for which are assessed on the basis of the completion of the call;
- (B) for which the caller pays a per-call or per-time-interval charge that is greater than, or in addition to, the charge for transmission of the call; and
- (C) which is accessed through use of a 900 telephone number or other prefix or area code designated by the [FCC].”

Under the FCC regulations, any interstate service described in parts (A)

and (B) can be offered only through phone numbers beginning with a 900 service access code. Pay-per-call programs available through local seven-digit numbers (such as those with a 976 or 960 prefix) are not covered by the FTC 900-Number Rule.

Where Does the Rule Apply?

The 900-Number Rule applies in all of the United States and the District of Columbia. It also applies in Puerto Rico, Guam, the U.S. Virgin Islands, and American Samoa.

When Does the Rule Not Apply?

The Rule does not apply when there is a “presubscription” agreement between the caller and the information provider. This contractual agreement must exist before the call is made. While the agreement does not have to be in writing, the consumer must be told specific information before the agreement can be considered valid. The service provider must:

- Require callers to use an identification number or another means to prevent unauthorized access to the service by nonsubscribers;
- Clearly and conspicuously disclose to the consumer all of the material terms and conditions associated with the use of the service. At a minimum, these terms and conditions must include:
 - The name and address of the information provider;
 - A business telephone number (other than a 900 number) that the consumer may call to get more information or to register a complaint; and

-
-
- ❑ The rates for the service. This includes notifying the subscriber of **any future rate changes**.
-
-

Note: The consumer must agree to use the service on the terms and conditions disclosed by the information provider.

If a business claims to be exempt from the 900-Number Rule because of a presubscription agreement, it must be able to prove that a valid agreement, meeting all of the rule's requirements, has been established. In addition, any such agreement must meet the general principles of contract law. For example, if the consumer making the agreement is a minor, the "contract" would be void because a minor is not capable of entering a contract.

A presubscription agreement can be established during a call to an 800 number; however, the caller could not then be transferred to a pay-per-call service. Presubscription agreements **cannot** be established during 900-number calls.

Calls that are charged to a credit or charge card number are not subject to the

requirements of the 900-Number Rule if the credit or charge card is subject to the dispute-resolution requirements of the Fair Credit Billing Act and the Truth in Lending Act (TILA).

Most credit and charge cards are subject to the TILA. However, any credit card used primarily for business or commercial purposes is exempt from the TILA. In addition, a telephone calling card used to charge long-distance phone calls is exempt because it is issued by a public utility and the charges for service are filed with a government agency. However, a telephone calling card used to charge calls to pay-per-call services might be subject to the dispute-resolution procedures of the TILA to the extent that charges for pay-per-call services are not filed with or regulated by a government agency.



Advertising a Pay Per-Call Service

All advertisements for pay-per-call services must contain a cost disclosure. Additional ad disclosures are required for services that:

- (1) Promote sweepstakes or games of chance;
- (2) Provide information about a federal program (but are not sponsored by a federal agency); and
- (3) Target individuals under 18 years of age.

Note: Ads directed to children under 12 years of age are prohibited.

General Requirements for All Disclosures

Some requirements apply to all disclosures to ensure that they are clear and conspicuous. In addition, the rule has specific requirements for how each of the disclosures must be presented. The following apply to all disclosures.

The disclosures must be made in the same language that is used principally in the advertisement. If the ad is in Spanish, the disclosures also must be in Spanish.

Video and print disclosures must be in a color or shade that readily contrasts with the ad's background. This ensures that the disclosures can be seen easily by the viewer or reader.

In print ads, disclosures must be parallel with the base of the ad. They cannot be placed at a slant so that the reader must turn the page sideways.

In TV and radio ads and in preambles, audio disclosures must be delivered in a slow and deliberate manner and at a reasonably understandable volume so that they will be heard and understood by the audience. They cannot be spoken any

faster than the rate principally used in the ad or the pay-per-call service. The volume must be at a level that will be heard by the audience and no lower than the volume principally used in the ad or the pay-per-call service.

The ad cannot contain anything that contradicts or undermines the required information. Any audio, video, or print technique that detracts significantly from the message of the disclosures cannot be used. For example, if something flashes on the TV screen at the same time that a disclosure is displayed or delivered by voice, that probably would detract significantly from the disclosure message.

In "infomercials" (program-length commercials that last 15 minutes or longer), the disclosures must be made at least three times, near the beginning, middle, and end of the commercial. (This applies unless more frequent disclosure is otherwise specified in another section of the rule.)

Cost Disclosures for All Ads

All ads for pay-per-call services must disclose the cost of the call. The specific requirements for this disclosure depend upon how the call is billed.

Flat Fee Rates

If a flat fee is charged for the call, the ad must state that fee.

Time-Sensitive Programs

If the call is billed on a time-sensitive basis, the ad must state the cost per minute and any minimum charge. The ad also must state the maximum charge, if the program's length can be determined in advance. For example, if the program is recorded information lasting 10 minutes

and the cost is \$2.95 per minute, the ad also must state that the charge for the complete program is \$29.50. The total must be stated even though a caller might hang up without listening to the complete program. This requirement does not apply to programs of undetermined length, such as live conversations or programs where the caller must enter information or select options.

Variable Rates

If the call is billed on a variable rate basis (where the caller may choose different options that carry different charges), the ad must state the cost of the initial portion of the call (where the various options are presented), any minimum charges, and the range of rates that may apply depending on the options chosen by the caller.

Fees for Additional Services

The ad must disclose any other fees that will be charged for the service. For example, if there is an additional charge for “computer time,” that charge must be disclosed. If there is a charge for mailing printed information that the consumer is supposed to receive by calling the 900 number, that charge must be disclosed. If the consumer must make multiple calls to the same or a different number to receive the advertised service, those charges also must be disclosed. In other words, consumers must be told all of the relevant charges for the information or service they are supposed to receive by calling the 900 number. **There cannot be any hidden or undisclosed charges.**

Transferred Calls

If the caller may be transferred to another pay-per-call service, the ad must disclose the cost of that call as well.



Presentation of Cost Disclosures

Cost disclosures must be made in the following manner in addition to complying with the general disclosure requirements that are listed earlier.

Television and Videotape Ads

A video cost disclosure (in Arabic numerals) must appear adjacent to (above, below, or next to) each video presentation of the 900 number. If the ad displays more than one 900 number with the same cost, the disclosure need only appear adjacent to the largest 900 number.

Each letter or numeral of the cost disclosure must be at least one-half the size of the 900 number adjacent to it.

The video cost disclosure must remain on the screen as long as the 900 number appears on the screen.

There must be at least one audio disclosure of the cost, and it must be given simultaneously with a video cost disclosure. The audio disclosure is not necessary if the length of the ad is 15 seconds or less and the 900 number is not stated in the audio portion; or if the 900 number or any other information about the pay-per-call service is not presented by audio—that is, the ad is solely video, and any accompanying sound is unrelated to the pay-per-call ad.

If the 900 number is given only in the audio portion of the ad and not presented visually, the cost must be stated immediately following the first and last delivery of the 900 number. However, if such an ad is a program-length commercial (lasting 15 minutes or longer), the cost must be stated immediately following each delivery of the 900 number.

Print Ads

The cost disclosure must be placed adjacent to (above, below, or next to) each presentation of the 900 number. However, if the ad displays more than one 900

number with the same cost, the disclosure need only appear adjacent to the largest 900 number.

Each letter or numeral of the cost disclosure must be at least one-half the size of the 900 number adjacent to it. However, in certain kinds of advertisements that necessarily use small type, such as classified ads or matchbook covers, a disclosure that is only one-half the size of the 900 number might be illegal. In such cases, the cost disclosure must be larger—perhaps even the same size as the 900 number—to be clear and conspicuous to the reader.

Radio Ads

The cost disclosure must be made at least once, immediately following the first delivery of the 900 number. In an infomercial, the cost must be stated each time the 900 number is announced.

Sweepstakes and Games of Chance Disclosures

Certain disclosures are required in pay-per-call service advertisements that promote sweepstakes or games of chance. They include the following.

The odds of winning any prize, award, service, or product (whether at no cost or at a reduced cost) must be stated in the advertisement. If the odds cannot be calculated in advance, the ad must disclose the factors that will determine the odds of winning. For example, if the odds of winning depend upon the number of entries to the sweepstakes or game, the ad may simply state that.

The advertisement or preamble must state that consumers do not have to call the pay-per-call number to enter the sweepstakes or game. (A free method of entry is needed



to avoid conducting an illegal lottery.) The ad or preamble must say there is a free method of entering the sweepstakes or game. It must instruct callers on how to enter free of charge or where they can write or call for that information.

The rule does not require that the ad describe or characterize the prize, award, service or product. However, if the ad provides a description, it must be truthful and accurate. For example, the ad should not state that the prize is a “free Hawaiian vacation,” if the package only includes free lodging at a hotel and the winner must pay air fare, meals, or any other expenses.

Presentation of Disclosures for Sweepstakes and Games of Chance

The sweepstakes disclosures must be made in the following manner in addition to complying with the general requirements for all disclosures (see page 4).

Television and Videotape Ads

The required disclosures may be made in either the audio or the video portion of the ad. If the disclosures are made in the video portion, they must appear on the screen in sufficient size and for sufficient time to allow consumers to read and comprehend the information. In other words, the information cannot flash by so quickly that the average viewer will not have time to read it. In addition, the type must be large enough so that the average person can read it without difficulty.

Print Ads

The disclosures must be sufficiently large and prominent that they will be noticed, read, and understood by the average reader. They must be located in a place in the ad where they are likely to be noticed. They cannot be buried in a fine-print footnote that is not likely to be noticed by anyone other than the most careful and diligent reader.

Radio Ads

For radio ads, there are no additional requirements beyond those for language, volume, and rate of speaking listed under general disclosure requirements on page 3.

Federal Programs Disclosure

This disclosure requirement applies if the pay-per-call service provides information on a federal program, but the service is not affiliated with a federal agency. Ads for such programs must disclose that the service is not authorized, endorsed, or approved by any federal agency.

The disclosure is required if the pay-per-call program gives any appearance of federal government affiliation. For example, the disclosure must be made if the program—or its advertising—uses a seal, insignia, trade name, brand name, or any term or symbol that could imply a connection with (or approval by) the federal government.

If the program makes any significant use of information about or from a federal program, the disclosure must be given. For example, if the program gives information about Social Security or Medicare benefits, the disclosure would be required.

If the program makes only incidental use of a federal statistic, the disclosure is not required. For example, an incidental reference to population figures obtained from the U.S. Census Bureau would not, by itself, trigger a need for the disclosure.

Presentation of Federal Programs Disclosure

The federal programs disclosure must be made in the following manner in addition to complying with the general requirements for all disclosures (see page 4).

Television and Videotape Ads

The required disclosure may be made in either the audio or the video portion of the ad. If the disclosure is made in the video portion, it must appear on the screen in sufficient size and for sufficient time to allow consumers to read and comprehend the information. In other words, the information cannot flash by so quickly that the average viewer will not have time to read it. In addition, the type must be adequately large so that the average person can read it without difficulty. The disclosure must begin within the first 15 seconds of the ad.

Print Ads

The disclosure must be sufficiently large and prominent that it will be noticed, read, and understood by the average reader. It must appear in the top one-third of the ad. It cannot be buried in a fine-print footnote that is not likely to be noticed by anyone other than the most careful and diligent reader.

Radio Ads

The disclosure must begin within the first 15 seconds of the ad.

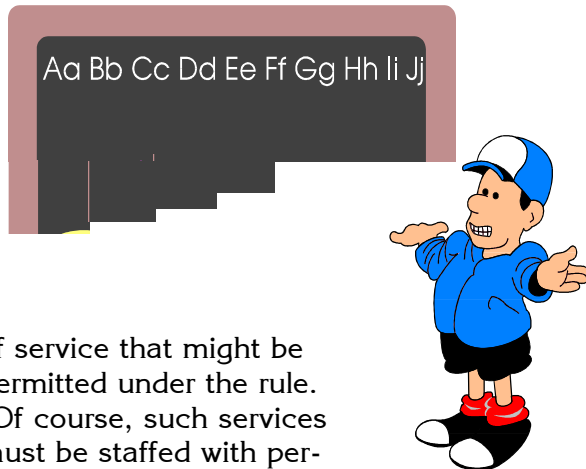
Advertising to Children

Pay-per-call services cannot be directed to children under 12, unless the service is a “bona fide educational service.” Likewise, ads for 900-number services cannot be directed to children under 12, unless the service is a bona fide educational service.

Bona Fide Educational Services

A bona fide educational service provides information or instruction that is related to education, subjects of academic study, or other related areas of school study. Bona fide educational services are **narrow exceptions** to the prohibition against directing 900-number services to children under 12.

The pay-per-call service must be truly educational in nature to meet this exception. For example, a “homework-helper” line, where a child might get help with a homework question or problem, is the kind



of service that might be permitted under the rule. (Of course, such services must be staffed with persons qualified to answer the variety of questions that might arise in typical elementary school homework assignments.)

On the other hand, a service that is primarily entertainment—but has an inci-

dental educational component—is not allowed under the exception. For example, some services might offer children the opportunity to talk with, or listen to a message from, a popular cartoon character or TV star. These would not be considered bona fide educational services merely because they include some factual information in the program. A quiz program, inducing children to call and answer questions in order to receive a prize, probably would not be considered a bona fide educational service merely because some of the questions pertain to areas that might be studied in elementary school.

Ads and Services Directed to Children

When TV or radio programs have audiences that are more than 50% children under 12, pay-per-call services cannot place ads during or immediately before or after these shows. Similarly, ads cannot be placed in periodicals or publications if more than 50% of the readers are children under 12.

The composition of the audience or readership will be determined by existing data. If data about the audience does not exist or if it does not show that more than 50% of the audience or readers are under 12, then the Commission will examine various factors to determine whether the ad is directed to children under 12. These factors involve both the content and the placement of the ad. They include whether the ad is found:

- In a book, magazine, or comic book (or any other kind of publication) that is directed to children under 12;
- During or immediately before or after a TV program directed to children under 12. This could

include animated programs and after-school programs;

- On a television station or a cable channel that is directed to children under 12;
- During or immediately before or after a radio program directed to children under 12 or on a radio station that is directed to children under 12;
- On a videotape that is directed to children under 12 or preceding a movie directed to children under 12 that is shown in a movie theater;
- On product packaging directed to children under 12. This includes the packaging of toys that generally are purchased by or for children under 12. It also could include the packaging of certain food products, such as cereals that are eaten primarily by children; and
- To be directed to children under 12, based on the ad's content, subject matter, visual effects, age of models, language, characters, and tone. This could include ads using child stars, cartoon characters, or themes that are particularly interesting to young children, such as Santa, the Easter Bunny, and dinosaurs.

The pay-per-call service itself will be considered directed to children under 12 if it is advertised in the manner described above. Also, the Commission will look at the content of the pay-per-call program, whether it uses themes, characters, language, featured personalities, or anything else that is likely to appeal primarily to children.

Directing Ads To Those Under 18

Under the Rule, it is permissible to direct pay-per-call services to children between the ages of 12 and 18. Ads directed primarily to those under 18 must have a disclosure that individuals under 18

need a parent or guardian's permission to call a pay-per-call number.

Presentation of Parental Permission Disclosure

The parental permission disclosure must be made in the following manner in addition to complying with general requirements for all disclosures (see page 4).

Television and Videotape Ads

Each letter or numeral of the disclosure must be at least one-half the size of the largest 900 number. The video disclosure must remain on the screen for sufficient time to allow viewers to read and understand the message.

There must be at least one audio disclosure given simultaneously with a video disclosure. The audio disclosure is not necessary if the length of the ad is 15 seconds or less and the 900 number is not stated in the audio portion; or if the 900 number or any other information about the pay-per-call service is not presented by audio—that is, the ad is solely video, and any accompanying sound is unrelated to the pay-per-call ad.

Print Ads

Each letter or numeral of the disclosure must be at least one-half the size of the largest 900 number. When one-half the size of the number would be too small to be legible, such as in classified ads, the disclosure must be in a type size that is large enough to be read, perhaps even the same size as the 900 number.

Radio Ads

There are no additional requirements beyond the general requirements for language, volume, and rate of speaking, listed on page 4 under the general disclosure requirements.

When the Parental Permission Disclosure Is Required

The parental permission disclosure must be in any ad that appears during or immediately before or after a TV or radio program where more than 50% of the audience is under 18. Likewise, ads placed in periodicals or publications where more than 50% of the readers are under 18 must include the disclosure.

If data about the audience does not exist or if it does not show that more than 50% of the audience or readers are under 18, then the Commission will consider various factors to determine whether the ad is directed to individuals under 18. These factors are similar to those identifying an ad directed to children under 12. The factors involve both the content and the placement of the ad. They include whether the ad is found:

- In a book, magazine, or comic book (or any other kind of publication) that is directed primarily to those under 18;
- During or immediately before or after a TV program directed to

those under 18. This could include mid-afternoon weekday TV shows;

- On a television station or a cable channel that is directed primarily to those under 18;
- On a radio station that is directed primarily to those under 18;
- On a videotape that is directed primarily to those under 18, or precedes a movie directed primarily to those under 18 that is shown in a movie theater; and
- To be directed to those under 18, based on the ad's content, the subject matter, visual effects, age of models, language, characters, and tone. This could include ads using a teenage star.

The rule does not require any particular language for this disclosure. However, the ad must clearly convey the message that parental permission is required for anyone under 18 to call the 900 number. A phrase such as "must be 18 to call" would not be sufficient. If you are uncertain whether the disclosure is necessary in a particular ad, it would be sensible to include it.

The Preamble

A pay-per-call service must be preceded by a preamble, an introductory message for which the caller cannot be charged. The preamble must disclose certain information:

- The name of the information provider and a description of the service that is being provided;
- The cost of the call. The requirements for the preamble are the same as those for advertisements;
- When charges will begin and how to avoid being charged;
- The advisory that parental permission is needed for those under 18; and
- When applicable, a disclosure that the program is not authorized, endorsed, or approved by the federal government.

Cost Disclosure

If a flat fee is charged for the call, the preamble must state that fee. If the call is billed on a time-sensitive basis, the preamble must state the cost per minute and any minimum charge. In addition, if the program's length can be determined in advance, the preamble must disclose the maximum charge if the caller listens to the complete program. As described in the advertising section on pages 4-5, the maximum charge disclosure requirement applies only in limited situations where the program's length is fixed, but the information provider charges on a per-minute rather than a flat-fee basis.

If the call is billed on a variable rate basis, the preamble must state the cost of the initial portion of the call (where the various options are presented), any minimum charges, and the range of rates that

may apply depending on the options chosen by the caller.

The preamble must disclose any other fees that will be charged for the service. (See the examples described in the advertising cost disclosure section on page 5.) Consumers must be told all of the relevant charges for the information or service they are supposed to receive by calling the 900 number. **There should be no hidden or undisclosed charges.**

If the caller may be transferred to another pay-per-call service, the preamble must disclose the cost of that call as well.

When Charges Begin

The preamble must tell the caller that charges for the call begin—and to avoid any charge the call must be terminated—

three seconds after a clearly discernible signal or tone at the end of the preamble.

The signal or tone can be a “beep” of the kind generally heard on telephone answering machines; a musical note, such as a chime; a verbal signal, such as a message to “hang up

now;” or any other signal that clearly indicates the end of the preamble. Whatever kind of signal or tone is used, it must be made clear to the caller that it is time to hang up to avoid being charged and that charges will begin in three seconds.

The message and the three-second delay are not required if the information provider offers the caller an affirmative means to indicate a decision to accept the charge for the call. For example, callers could be asked to press “one” on the keypad if they want to receive the service and be charged for it. It would not be



adequate simply to ask the caller to press “one” to receive the service. It must be made completely clear to callers that by pressing “one” they are agreeing to be charged for the call.

Parental Permission

All preambles must state that anyone under the age of 18 must have the permission of a parent or guardian to complete the call.

Federal Programs Information

If the pay-per-call service provides information about a federal program, but the service is not affiliated with the federal government, the preamble must state that the service is not authorized, endorsed, or approved by any federal agency. This disclosure is required if the pay-per-call program gives any appearance of federal government affiliation (see the examples on page 7).

No Charge to Caller for Preamble Time

Charges cannot begin until three seconds after the signal or tone at the conclusion of the preamble. Callers who hang up within three seconds of the signal or tone cannot be billed any amount for the call. Callers who stay on the line after the three seconds can be billed for the pay-per-call program, but cannot be billed for the preamble time.

The three-second delay is not required if the information provider uses an affirmative-acceptance method for callers to indicate that they want to receive the service and be billed for it (see *When Charges Begin*, page 11). In that situation, billing could begin after the caller has done whatever is necessary (such as pressing a particular key on the keypad) to indicate positive acceptance of the charge.

Exemption for Nominal Cost Calls

Preambles are not required when the entire cost of the pay-per-call service—whether billed as a flat rate or on a time-sensitive basis—is \$2.00 or less. The various advertising disclosures still are required.

For the nominal cost exemption to apply to a service billed on a time-sensitive basis, it must be impossible for the total charge to exceed \$2. If the call is billed at \$.50 per minute and the service disconnects after 4 minutes, the total charge would not exceed \$2, and the service would be exempt from the preamble requirement.

Exemption for Data Service Calls

Preambles are not required when the entire call consists of the nonverbal transmission of information. This exception is for services that transmit data from one machine (such as a computer or facsimile machine) to another, with no voice message. The exemption does not apply to entertainment programs that provide music, for example, instead of the spoken word.

Bypass Mechanisms

Pay-per-call services can offer bypass mechanisms that repeat callers can use to skip the preamble. Information about the bypass mechanism must come after all of the required information in the preamble so that the bypass cannot be activated on the first call. A bypass mechanism has to be disabled for at least 30 days after a price increase or a change in the nature of the service offered. To warrant disabling the bypass mechanism, the change in the nature of the service would have to be significant enough to warrant modifying the description in the preamble.

Other Provisions of the Rule

The following provisions of the rule address other aspects of the advertising and operation of pay-per-call services, the service bureau's liability, and the information provider's billing limitations and billing statements.

Telephone Solicitations

If you use a telephone message to solicit calls to a pay-per-call service, you must make the required cost disclosures (see pages 4-5). This is true whether the message is given in a call placed to the consumer or through a number (such as an 800 number) called by the consumer. General requirements for language, volume, and rate of speaking also apply to telephone solicitations (see page 4).

Special Rule for Infrequent Publications

Special rules apply to certain publications that are published infrequently, such as yellow pages telephone directories. To qualify for these special rules, the publication must be widely distributed and printed annually or less frequently. It also must have an established policy of not publishing specific prices in advertisements.

Publications that meet the criteria do not have to disclose the specific costs of an advertised pay-per-call service. Instead, the ad may simply include a clear and conspicuous disclosure that a call to the pay-per-call number may result in a substantial charge. Other required disclosures would have to be made, if applicable.

An alphabetical listing in a publication that meets the criteria listed above does not have to include any of the disclosures required by the 900-Number Rule as long as that listing does not contain any infor-

mation other than the name, address, and phone number of the pay-per-call provider.

The Use of 800 Numbers

The 900-Number Rule prohibits the use of an 800 number (or any other number advertised as, or widely understood to be, toll-free) for pay-per-call services. Specifically, this means the following.

Anyone calling an 800 number cannot be charged simply for completing the call.

An 800-number call cannot be transferred to, or connected to, a pay-per-call service.

A consumer calling an 800 number cannot be charged for information conveyed during the call, unless there is a presubscription agreement with the information provider. The agreement must be established before the call to the 800 number is placed, and it would have to meet all of the requirements listed on page 2. If a consumer disputes that such an agreement exists, the burden is upon the service provider to establish that there is a valid agreement.

Anyone calling an 800 number cannot be called back collect to be offered audio or data information services, simultaneous voice conversation services, or products.

Note: FCC regulations prohibit common carriers from interstate transmission of, or billing for, any service that is billed to the subscriber on a collect basis at a rate greater than—or in addition to—the tariffed rate for transmission of the call. For any collect information services to be billed to the subscriber at a tariffed rate, the called party must take affirmative action indicating acceptance of the charges for the collect service.

Broadcast Ads That Emit Tones to Dial a 900 Number

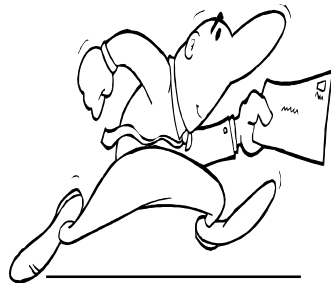
Television and radio ads may not emit electronic tones that can automatically dial a pay-per-call service if the telephone receiver is held up to the TV or radio.

Service Bureaus

Service bureaus can be held liable for violations of the FTC 900-Number Rule when the bureau knew or should have known of violations by an information provider using its call-processing facilities. The service bureau may be alerted to problems in various ways.

If the service bureau helps the information provider create pay-per-call programs and/or the advertisements for those programs, the bureau should know if violations are occurring. If a service bureau receives numerous consumer complaints about a particular program, it would be on notice that violations may be occurring. The same is true if a service bureau receives information that a program is generating a high rate of billing error notices.

In all of these situations, the service bureau should act carefully and reasonably to ensure that the rule's requirements are being followed. When necessary, the service bureau should end those programs not complying with the rule.



Billing Limitations and Billing Statements

An information provider cannot bill a consumer any amount in excess of the amount disclosed in the preamble. Moreover, the information provider cannot bill consumers for any services provided in violation of the FTC 900-Number Rule.

The assessment of time-based charges must be stopped immediately when the caller hangs up the phone. However, the Commission recognizes that time-sensitive billing is done in one-minute increments and that any portion of a minute is billed as a full minute. This manner of billing will not violate the rule.

Billing statements for pay-per-call services must display 900-number charges in a separate portion of the bill. It must be clear that these charges are not related to other local and long-distance telephone charges. The 900-number charges do not have to be printed on a separate page of the telephone bill. The method of segregating the pay-per-call charges is left to the discretion of the billing entity.

For each 900-number charge, the bill must specify the date, time and—for those billed on a time-sensitive basis—the length of the call. The bill also must show a local or toll-free telephone number that consumers can call to learn the name and address of an information provider and get more information on their rights and obligations with respect to pay-per-call services. Under FCC regulations, common carriers that assign numbers for pay-per-call services must establish such a local or toll-free phone number.

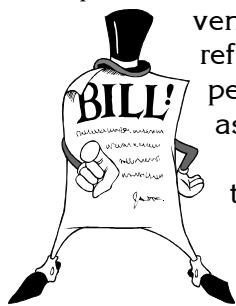
These requirements apply whether the billing is handled by the telephone company or by an independent billing agent.

Billing and Collection for Pay-Per-Call Services

The 900-Number Rule establishes procedures for the billing and collection of charges for pay-per-call services and for resolving billing disputes. The requirements apply to any “telephone-billed purchase.” This includes the same pay-per-call services covered by other sections of the rule. It does not include “presubscription” agreements between the callers and the information provider or calls charged to a credit or charge card that is subject to the Fair Credit Billing Act and the Truth in Lending Act.

Billing Entities

All billing entities must comply with the billing and collection requirements of the rule. The rule defines a “billing entity” as any person or company that sends out bills for pay-per-call services or that handles complaints or inquiries regarding such bills. This may include telephone companies, independent billing agents, and



vendors. The term “vendor” refers to a provider of pay-per-call services, also known as information providers.

A pay-per-call transaction can involve more than one billing entity. In these cases, the billing entities must decide among themselves who will be responsible for complying with the rule’s requirements. For example, a local telephone company that issues phone bills—including charges for 900-number calls—might be the one that provides customers with the required notice of their right to dispute billing errors. A long-distance telephone company (or interexchange carrier) might be the one that is responsible for responding to customers’ notices of billing errors.

What Is a Billing Error?

The rule identifies eight different types of “billing errors,” which are listed below. The dispute resolution procedures of the 900-Number Rule are triggered when customers assert any of these billing errors.

1 A billing statement shows a call not placed by the customer or from the customer's telephone or—although the call was made—the caller did not remain on the line as long as the statement indicates. It is not considered a billing error to claim that calls were made on a customer's phone by “unauthorized” persons, like a child or someone not living with the customer.

2 A customer seeks more evidence that a call was made. If the customer subsequently agrees that a bill was correct—or withdraws a billing error notice—the billing entity does not have to follow the rule's notification requirements.

3 A customer is charged for goods or services not accepted or delivered as agreed. For example, a charge for a call is billed even though the caller hung up immediately upon hearing the signal or tone indicating the preamble's end or the charge is more than the ad or preamble stated or the service or product was misrepresented. For example, an ad promises callers information about employment opportunities, but callers never receive such information. Note: it is not considered a billing error when customers simply are dissatisfied with the quality of the service or product.

4 A customer called an 800 number and then was transferred to a 900 number, or was called back collect, or was other-

wise charged for the call. Both the FTC and the FCC rules prohibit the use of an 800 number for a pay-per-call service.

5 A billing statement does not properly reflect a payment made by the customer or a credit issued to the customer.

6 A billing statement shows a computation error or similar accounting error for a telephone-billed purchase.

7 A billing statement for a telephone-billed purchase was not sent to the customer's last known address even though the customer had given that address at least twenty days before the end of the billing cycle for which the statement was required.

8 A billing statement does not separate 900-number charges from local and long distance charges and/or the statement omits information about a pay-per-call charge, such as the type of service, the amount of the charge, and the date, time, and—for those billed by the minute—the length of the call.

Who May Assert a Billing Error?

Any customer may assert a billing error. The rule defines the term “customer” as “any person who acquires or attempts to acquire goods or services in a telephone-billed purchase, or who receives a billing statement for a telephone-billed purchase charged to a telephone number assigned to that person by a providing carrier.”

This means that anyone who is billed for a 900-number call may assert a billing error, whether or not that person placed the call or received the goods or services. Most billing errors may be asserted by the person who called the pay-per-call service even if that is not the same person who received the bill. Only one billing error—

the claim that the call was not made from the customer's telephone—is restricted to the person who actually receives the bill.

How Customers Should Handle Billing Errors

Customers who discover any errors on their billing statements should notify the billing entity within 60 days after the first statement with the error was sent. If the billing error involves a charge for goods or services delivered after the customer received the billing statement, the 60-day period does not



begin until the goods or services are delivered. If the goods or services are never delivered, the 60-day period begins on the date the goods or services were supposed to be delivered, if that date is later than when the billing statement was sent to the customer.

The billing entity may decide whether the customer must give notice by phone or mail. Whatever the chosen method, the billing entity must disclose this information on or with each billing statement sent to the customer. The customer's written notice should:

- Give the customer's name and the telephone number to which the charge was billed;
- Identify the billing error and the date and amount of the charge; and
- Explain why the customer believes that the billing statement is in error.

The billing entity is responsible for getting this information if the customer is permitted to give notice by telephone.

How to Respond to Billing Error Notices

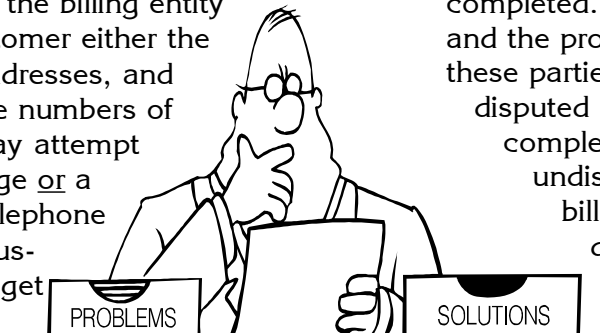
Billing entities must acknowledge customers' billing error notices in writing within 40 days after receiving them, unless the billing review is completed within that time. When responding to inquiries, billing entities must tell customers that any disputed amount does not have to be paid until the review has been completed.



If a billing entity other than the one designated to receive and respond to billing errors receives the notice of a billing error from a customer, it must tell the customer the name, address and telephone number of the correct billing entity or forward the customer's notice within 15 days to that billing entity. In this situation, the time periods allowed by the rule for acknowledging the notice and conducting a review would not begin until the appropriate billing entity receives the notice.

There are two ways the billing entity may conduct the billing review.

1 It may correct the billing error, without conducting an investigation. In this case, it must credit the customer's account for any disputed amount and any related charges, and notify the customer of the correction. If, despite the credit, a vendor or a providing carrier (such as the long-distance telephone company that carried the call) may try to collect the disputed charge, the billing entity must inform the customer that this collection effort may occur. In addition, the billing entity must give the customer either the names, mailing addresses, and business telephone numbers of the parties that may attempt to collect the charge or a local or toll-free telephone number that the customer may call to get this information.



2 It may conduct an investigation to determine whether a billing error occurred. After completing the investigation, it must properly adjust the customer's account and notify the customer of the adjustments. If a credit is given, but the vendor or providing carrier still may try to collect the charge, the billing entity must notify the customer that this may happen. Again, the billing entity must give the customer the same information: the parties that might attempt to collect the charge or a telephone number the customer can call to get this information.

If the billing entity determines that there was no billing error or that a different one occurred, it must explain this to the customer. If requested, the customer must be given a written explanation and copies of any documents proving the customer owes the debt in the amount claimed. The billing entity must complete its review of the billing error within two billing cycles after receiving the billing error notice. In no case may this take longer than 90 days. However, if the customer—after giving notice of the billing error and before the billing review is completed—agrees that no error occurred or agrees to withdraw the notice, the billing entity may stop the billing review.

The Customer's Rights During the Billing Review

Once the customer has notified the billing entity of a billing error, the customer does not have to pay any disputed amount until the billing review is completed. The billing entity, the vendor, and the providing carrier (and any agent of these parties) may not try to collect the disputed amount until the billing review is completed. They still may collect any undisputed portion of the customer's bill, and they still may display the disputed charges on the customer's billing statement as long as it clearly discloses

that the customer is not required to pay the disputed amount.

The billing entity, providing carrier, vendor, or other agent may not report or threaten to report the customer to a credit reporting agency for withholding payment of the disputed charge until after the billing review is completed. In addition, the customer must have as much time to pay the disputed debt as the billing entity normally allows for paying undisputed amounts. In no case may this be less than 10 days.

And After the Billing Review

After completing the billing review, the billing entity must promptly notify the vendor and any telephone company involved with the disputed charge if the customer's account has been adjusted and the reasons for those adjustments. If any portion of the disputed amount is found to be correct, the billing entity must notify the customer *in writing* when that payment is due. The written notice must tell the customer if the bill may be reported to a credit reporting agency or referred to a collection agency if it is not paid.

If the customer refuses to pay the bill, the billing entity or any other affected party may try to collect the debt. However, the customer may notify the billing entity within the time allowed for payment that he or she continues to dispute the charge. If this happens, the billing entity or other affected party may not report the debt as delinquent to anyone, such as a credit reporting agency, unless it also reports that the debt is being disputed. Anyone to whom the debt is reported as delinquent must also be notified if the disputed debt is subsequently settled. The customer must be informed in writing of the name and address of anyone to whom the debt is reported as delinquent.

The customer may not be charged any fee for initiating a billing review. Furthermore, no action may be taken to accelerate payment of the customer's debt or to restrict or terminate the customer's access to pay-per-call services solely because the customer

has exercised his or her billing rights under the rule.

If the pay-per-call provider or the carrier has an established policy of suspending a customer's access to 900-number services when the customer's outstanding debt reaches a certain amount, it can continue to implement the policy. However, such action cannot be taken because the customer asserted a right under the rule.

Under the FCC rule, common carriers and information providers may block access to pay-per-call services from customers who have incurred, but not paid, legitimate pay-per-call charges.

Forfeiture Penalty

If the billing entity, providing carrier, or vendor violates the rule's billing error resolution requirements, it forfeits its right to collect the disputed amount and any related charges (such as late charges), even if it is proven that the customer owes the money. However, the amount forfeited shall not exceed \$50 for each transaction in dispute. The party subject to the forfeiture penalty is expected to cease all efforts to collect the forfeited amount without waiting for notice or a demand from the customer. Failure to honor the forfeiture penalty is itself a violation of the rule.

The forfeiture provision applies only to the party that violated the rule. For example, a billing entity's failure to respond properly to a customer's billing error notice would not result in forfeiture of the information provider's right to pursue independent collection of the charge.

When Property Is Returned and Debt Is Forgiven

When a vendor (other than the billing entity) accepts the return of property or forgives a debt in connection with

a telephone-billed purchase, it must within seven days either:

- Send the customer a cash refund and notify the appropriate billing entity of the refund;
- or
- Initiate a credit to the customer's account through the normal billing channels. Within seven days after receiving the credit statement, the billing entity must then credit the customer's account with the amount of the refund.

The Customer's Right to Assert Claims or Defenses

When there is a dispute between the customer and the vendor, the rule gives the customer certain rights. Among these is the customer's right to take the same legal action against any billing entity or providing carrier that might attempt to collect the disputed debt as the customer could take under state law against the vendor.

For example, a state law might require that customers be given a one-time waiver for inadvertent, mistaken or unauthorized use of a pay-per-call service (a right not afforded under the federal law). If the vendor does not agree that the customer is entitled to the waiver, the customer could withhold payment for the disputed charge from the billing entity and assert the state waiver provision in any suit brought by the billing entity or the vendor. The customer first must have made a good faith attempt to settle the dispute with the vendor.

The customer's rights under this provision do not prevent the vendor, billing entity, or providing carrier from pursuing collection activity or legal action against the customer to collect the disputed debt. Furthermore, the billing entity and providing carrier are not liable under this provision for any amount greater than the amount billed to the customer for the pay-per-call service (including any related charges).

Notice of Billing Error Rights

Billing entities must send each customer a statement explaining the customer's billing rights with respect to telephone-billed purchases. The notice must be included with the first billing statement for a telephone-billed purchase that is sent to the customer after November 1, 1993. Telephone companies, however, may elect instead to include the notice in their monthly billing statements sent to all of their regular telephone customers, in which case the notice must be sent by January 3, 1994.

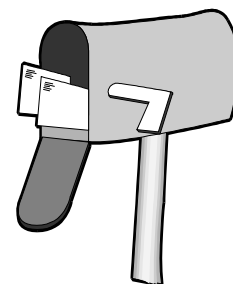
After the initial mailing, the billing entity must send the billing-rights statement at least once per calendar year to each customer to whom it has sent a bill for a telephone-billed purchase during the previous 12 months. Telephone companies that elect to include the initial notice in their regular telephone bills must send the billing-rights statement at least once each succeeding calendar year to all its regular telephone customers at intervals of not less than six months nor more than 18 months.

If the billing entity chooses to send only one billing-rights notice per year to all its customers, the notice must be a separate statement that the customer may keep. It must fully describe how the customer should notify the billing entity of any errors, and it must also

explain how the billing entity must respond.

Also, it must explain the customer's rights as well as the billing entity's rights and obligations under the billing review procedure. Sample A (page 20) is an annual billing-rights notice.

Instead of the annual statement, the billing entity may opt to send an alternative abridged version of the billing-rights notice on or with each billing statement mailed or delivered to a customer. The notice must state how customers should handle billing



errors. However, it may offer a condensed explanation of the customer's billing error rights. Sample B (page 21) is an alternative summary notice.

The billing entity may include additional information or explanations with the billing-rights statement. However, it must not mislead or confuse the customer or contra-

dict, obscure, or detract from the disclosures required by the rule. The rule's required disclosures must appear separately and above any other disclosures.

When there are multiple customers, the notice of billing error rights has to be sent only to the customer who is primarily liable on the account.

Your Pay-Per-Call Billing Rights • Keep This Notice For Future Use

This notice contains important information about your rights and our responsibilities under the Telephone Disclosure and Dispute Resolution Act.

Notify Us in Case of Errors or Questions About Your Bill

If you think you have been incorrectly billed for a 900-number (pay-per-call) telephone call, or if you need more information about a 900-number transaction appearing on your bill, let us know as soon as possible. We must hear from you no later than 60 days after we sent you the first bill on which the error or problem appeared. You must call us at the telephone number [or write us at the address] listed on your bill and give us the following information.

- Your name and telephone number
- The dollar amount of the suspected error
- A description of the error (If you can, explain why you believe there is an error. If you need more information, describe the item you are not sure about.)

[If written notice is required] You must notify us in writing. If you do not, we are not obligated to respond to your complaint or inquiry.

[If oral notice is permitted] You may call to notify us of your billing error. If a question arises about whether you properly notified us, we will assume you did, unless we can show you did not.

Your Rights and Our Responsibilities After We Receive Your Notice

We must acknowledge your notice within 40 days, unless we have corrected the error or notified you of the results of our investigation by then. Within 90 days, we must either correct the error or explain why we believe the bill was correct. You have the right to request a written explanation if we find that the bill was correct. After we receive your notice, you do not have to pay any questioned amount, and no one may try to collect it, until we are finished investigating. We can continue to bill you for the amount you question, and you are still obligated to pay the parts of your bill that are not in question.

If we find that we made a mistake on your bill, you will not have to pay any charges related to the questioned amount. If we didn't make a mistake, you may have to pay late charges, and you will have to make up any missed payments on the questioned amount. In any case, we will send you a statement of the amount you owe and the date it is due.

After we have completed our investigation, if you fail to pay the amount that we think you owe, we may report you as delinquent. However, if you do not agree with our explanation and let us know before payment is due, we must tell anyone to whom we report you that you still dispute your bill. We must tell you the name of anyone to whom we reported you. We also must tell anyone to whom we reported you that the matter has been settled between us when it finally is settled.

If we don't follow these rules, we can't collect the first \$50 of the questioned amount, even if your bill was correct.

Sample A: Annual Billing Rights Notice

Pay-Per-Call Billing Rights Summary

In Case of Errors or Questions About Your Bill

If you think your 900-number (pay-per-call) telephone bill is wrong, or if you need more information about a 900-number call billed to your account, let us know as soon as possible. We must hear from you no later than 60 days after we sent you the first bill on which the error or problem appeared. Call us at the telephone number [or write us at the address] listed on your bill and give us the following information.

- Your name and telephone number
- The dollar amount of the suspected error
- A description of the error (If you can, explain why you believe there is an error. If you need more information, describe the item you are unsure about.)

[If written notice is required] You must notify us in writing. If you do not, we are not obligated to respond to your complaint or inquiry.

[If oral notice is permitted] You may call to notify us of your billing error. If a question arises about whether you properly notified us, we will assume you did, unless we can show you did not.

You do not have to pay any amount in question while we are investigating, but you are still obligated to pay the parts of your bill that are not in question. While we investigate your billing error, no one can report you as delinquent or take any action to collect the amount you question.

Sample B: Alternative Summary Notice