



CONSUMER ADVOCATE

A publication from the Consumer Protection Section of the Office of Ohio Attorney General Richard Cordray

IS THAT “FREE TRIAL” REALLY FREE?

After watching a TV ad to participate in a clinical trial for eye cream, a Mahoning County consumer signed up to try the eye cream for free, or so she thought.

Soon she was being charged for the eye cream, even though she had stopped receiving the product and had canceled within the specified period. The consumer later realized that the company was not actually holding a clinical trial, but was selling its product through a sales model known as “negative option billing.”

Negative option billing often begins

when a consumer orders a free trial of a product or service. After the trial period ends, the seller automatically bills the consumer for additional products or services unless the consumer notifies the seller to cancel.

Although the law requires businesses to obtain consumers’ permission before charging them for extra products or services, many consumers do not realize that they are entering into a negative option plan.

For example, one Cincinnati consumer

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NEW RULE AIMS TO CURB REFUND ANTICIPATION LOANS

Refund anticipation loans (RALs)—short-term loans based on a consumer’s expected tax return—may be harder to obtain in the upcoming tax season. But that’s a good thing, according to many consumer advocates.

RALs generally are high-cost loans that are used widely by low to moderate income consumers. They promise early access to the money consumers will receive in their tax refund, but they may cost consumers about 25% of their refund due to fees and interest.

In the 2011 tax filing season, the Internal Revenue Service (IRS) will stop providing tax preparers with the “debt indicator,” which is used

to facilitate refund anticipation loans (RALs). Similar to a credit check, the debt indicator helps banks working with tax preparers determine whether or not to issue a RAL.

Consumer advocates believe that without the debt indicator, tax preparers and other institutions will be less likely to issue RALs. However, some analysts believe that consumers will continue to receive RALs, but at a higher cost.

To receive their tax refunds quickly and eliminate the need for many RALs, consumers can use the IRS’s e-file system to have their refunds directly deposited into their accounts within 10 days.

QUESTIONS ABOUT YOUR MORTGAGE? START HERE

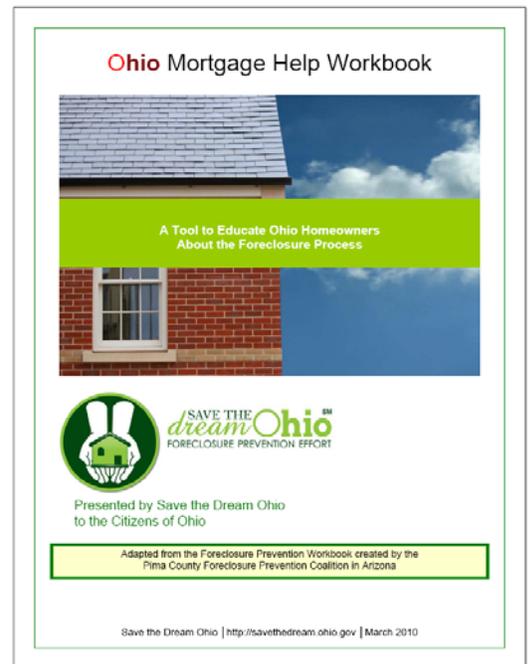
If you’re worried about your monthly mortgage payment or wondering about your options, check out the Ohio Mortgage Help Workbook provided by Save the Dream Ohio.

The workbook walks homeowners through the entire foreclosure process. It covers:

- Coping with tough financial times
- Managing your money
- Your mortgage and options
- Foreclosure rescue scams
- Recovering from foreclosure

Save the Dream Ohio is the state’s multi-agency foreclosure prevention effort. The program connects homeowners to approved housing counselors and legal assistance through its toll-free hotline, (888) 404-4674.

To access the mortgage workbook or to learn more, visit www.SavetheDream.Ohio.gov.



FREE TRIAL *Continued from page 1*

signed up for a free trial of an acai berry supplement he found online. He sent the product back within the allotted timeframe, but the company contacted him saying he owed \$115 and would be sent to collections if he refused to pay.

To avoid a situation like this, be skeptical of the word “free.” Read the fine print to determine if the “free” offer is actually part of a negative option plan.

Also check a business’s reputation with the Better Business Bureau at www.bbb.org or (800) 759-2400 and with the Ohio Attorney General’s Office at www.OhioAttorneyGeneral.gov/SearchConsumerComplaints or (800) 282-0515.

If you are taken advantage of by a negative option billing plan:

- Make sure to keep documents like bills, correspondence and any type of agreement or contract.
- Read the company’s cancellation policy and follow the directions very carefully. You may only have a limited time to act.
- Send a written cancellation letter via certified mail so you have proof that the seller received it.

If you believe you have been treated unfairly in a negative option plan or other consumer transaction, file a complaint at www.SpeakOutOhio.gov or (800) 282-0515.

MARK YOUR CALENDAR: CYBER SAFETY WEEK IS OCT. 3-9

Ohio Attorney General Richard Cordray’s office will observe the state’s first-ever Cyber Safety Week on October 4-8, 2010.

Now more than ever, young people need guidance for using the Internet, online video games and cell phones. During Cyber Safety Week, parents and students alike can learn about being safe online, dealing with cyber bullying and understanding the consequences of sexting.

For additional information, visit www.OhioAttorneyGeneral.gov/CyberSafetyWeek.

SCAMMERS USE PHONE SYSTEM FOR THE DEAF

Con artists are attempting to defraud Ohio small businesses using a system designed to assist the hearing impaired, according to complaints filed with Ohio Attorney General Richard Cordray’s office.

Businesses around the state have reported scam calls abusing the telephone relay system. The con artists usually pose as consumers interested in a product and then commit check fraud or use stolen credit cards to rip off the business.

A Perry County florist said it received a relay call from a “consumer” who wanted to place an order. The caller offered a credit card payment of \$3,126, including \$1,926 for the order and an extra \$1,200, which the caller asked the florist to wire to California. Fortunately, the florist did not process the order. The credit card charge was denied and the order was merely a ploy to defraud the small business.

In this scam, con artists pretend to be deaf to gain trust and to communicate through typed written messages. They use the relay system –an operator service that allows people who are hearing impaired to make standard phone calls using a keyboard to communicate. The hearing-impaired person types a message that is then relayed by the operator to the end user.

Sadly, scammers also use the relay system to swindle hearing-impaired consumers. They place a relay call to a hearing-impaired individual and try to persuade the individual to wire transfer money for a phony sweepstakes or contest.

Consumers and businesses alike should be wary of anyone who asks for money sent via wire transfer. This is a classic sign of a scam.

To report a scam to the Attorney General’s office, visit www.OhioAttorneyGeneral.gov/ReportaScam or call (800) 282-0515.

WANT UPDATES?

- Receive the Consumer Advocate via e-mail by signing up at www.OhioAttorneyGeneral.gov/ConsumerAdvocate.
- Receive news and updates from the Ohio Attorney General’s Office by signing up at www.OhioAttorneyGeneral.gov.
- Visit www.OhioAttorneyGeneral.gov for more information.