



# Ohio Attorney General's Consumer Advocate Newsletter

AUGUST 2012

## Back-to-School Shopping Tips

Back-to-school shopping season is in full swing, with notebooks, pencil cases, and binders lining many store aisles. While it can be exciting for children and adults to begin the school year with brand-new items, it also can be expensive. Take time to read advertisements closely and watch for potential scams to avoid the back-to-school buying blues.

Evaluate advertisements and know your rights:

- **Limitations must be disclosed in advertisements:** All exclusions and limitations to an offer must be listed in the ad or coupon. It is illegal to advertise a sale without listing specific limitations.
- **Rain checks:** If a store runs out of an advertised product or service, you may have the right to a rain check. Rain checks allow consumers to buy the advertised good for the sale price at a later date. Sellers do not have to issue rain checks if the ad mentions the number of goods available or that the merchandise is seasonal or clearance and that no rain checks will be given. They also don't have to issue a rain check if the consumer agrees to buy a similar item at the same savings or if the seller proves it had a reasonably sufficient supply.
- **Return policies:** Ohio's Consumer Sales Practices Act doesn't require businesses to have any particular return policy, but it does require businesses to clearly post their return policy, if they have one. Before making a purchase, read the refund and cancellation policies for that store or product, and keep your receipt.
- **Gift cards:** Under Ohio and federal law, businesses must honor most single-store gift cards for at least five years from their issue date and generally they may not charge fees that reduce the card's value for at least two years.
- **Credit card vs. debit card:** Consumers who pay with credit cards have added protection if something goes wrong. Federal law allows consumers to dispute unauthorized credit card charges within 60 days after the first bill containing the error was mailed. Debit card providers are not required to provide the same protections. Regardless of your payment method, carefully review your statements for errors.
- **Layaway:** If you use layaway to make a purchase, make sure you understand all the terms and conditions. Find out what would happen if you fail to keep up with the payments. Consider whether layaway is your best purchase option.
- **Rebates:** Follow rebate directions closely and make sure you complete all the requirements in the specified timeframe.
- **Online purchases:** Shop carefully. If you buy gift cards or coupons from an online seller, research the seller's reputation, and make sure the website is secure before you enter payment information such as a credit card number. If a deal sounds too good to be true, it probably is.

## Watch for Scams

Scammers could pretend to be associated with a school, a government agency, or other educational organization to take advantage of consumers.

A Cuyahoga County consumer said she received a call at work from someone who claimed to represent the U.S. Department of Education. The caller said the consumer's son had won a scholarship for tuition and supplies, but said the consumer needed to send \$25 via wire transfer. When the consumer asked the caller for his reference number, he hung up — a likely sign of a scam.

Be wary if someone asks you for advance fees in exchange for helping you find or obtain scholarships. You usually can find scholarship information yourself for little or no cost by searching online. If a scholarship is legitimate, you shouldn't need to pay an advance fee to receive the scholarship.

If you suspect an unfair practice or scam, file a complaint with the Ohio Attorney General's Office.

## Evaluating Online Deal Sites

Purchasing a \$20 gift card for just \$10, buying a kitchen appliance at half price, and getting your bike tuned up at 40 percent off are some of the many savings that online deal sites offer.

The business model behind many online deals is the power of group buying. In some instances, if enough people sign up to get discount yoga classes at the local studio, then the site will release vouchers for the reduced class price, and everyone benefits. If not enough people sign up for the deal that day, then no one gets the discount. In other instances, businesses offer the discounts no matter how many people sign up. Businesses also may limit the total number of coupons that the site can sell for a particular deal.

The offers usually sound good, and in many cases, consumers are happy with the deals they receive. But there are a few precautions you should take before buying that next coupon.

Do your homework:

- **Read the fine print.** Check the deal site's terms, conditions, and other policies. Find out how it handles problems with businesses. See if you can cancel and get a refund.
- **Research the deal website's reputation.** Check with the Ohio Attorney General's Office and the Better Business Bureau to see if other consumers have filed complaints.
- **Check the reputation of the business offering the service or deal.** Even if the deal website provides reviews of the business, do your own research. Check with the Ohio Attorney General's Office and the Better Business Bureau for any complaints.
- **Be mindful of any expiration dates or requirements.** Many online deals have expiration dates or limitations on when the offer is available. If you have to schedule an appointment to take advantage of the deal, don't wait until the last minute to book the appointment. Also, make sure you understand the average costs of the business' products or services. A deal that gives you \$50 worth of services for just \$25 may not be such a good deal if the business' basic services start at more than \$100.
- **Report problems to the business *and* the deal website.** If you experience a problem, first contact the business that provided the goods or service and try to reach a resolution. If that doesn't work, contact the deal site. The deal site may agree to give you a refund or an adjustment, and it also may want to know about any problems with the businesses it works with.
- **Report complaints to the Ohio Attorney General's Office.** If you suspect unfair business practices from the deal site or the business, file a complaint with the Ohio Attorney General's Office.

## **Find a Good Locksmith Before You Need One: Here's Why**

Just as you should find a doctor before you get sick, it's a good idea to find a locksmith before you're locked out. Otherwise, you may end up in an emergency situation with an unscrupulous locksmith.

Throughout the years, consumers have reported various problems regarding locksmiths to the Ohio Attorney General's Office. Some said locksmiths caused damage to their homes or charged them hundreds of dollars more than expected. Others said that after the services were performed, they were unable to get the locksmith to respond to complaints.

In 2006, the Ohio Attorney General's Office filed a lawsuit against Superb Solutions, a New York locksmith business based in the Bronx that operated as Locksmith 24-Hour. It advertised in the Cleveland area and gave consumers the impression that it had various physical locations throughout that area.

In some cases consumers who were locked out of their cars or homes called Locksmith 24-Hour, thinking it was the closest locksmith available based on the addresses listed in the business' advertisements.

Consumers generally were told the cost of picking the lock would be \$50 to \$70. They later experienced a variety of problems, such as the business sending a locksmith who drilled and replaced the lock instead of picking it, which meant a much more expensive bill than consumers expected. One consumer's bill was nearly \$1,000. Once the work was done, some consumers received receipts that failed to list a business address, which would help them in pursuing complaints.

The Attorney General's lawsuit charged the business with multiple violations of Ohio's Consumer Sales Practices Act. The case ended with a consent judgment noting several violations, including failing to inform consumers of their right to an estimate before starting the work, charging for repairs or services that the consumer did not authorize, and failing to provide consumers with an itemized list of repairs or services performed. The business was ordered to pay civil penalties and consumer restitution.

With the prevalence and convenience of the Internet, many locksmiths (and locksmith scammers) advertise online. They may list a local address in their online ad, but be sure to check the address yourself, using an independent online map feature or similar tool. In some cases, you may find that the locksmith's advertised place of business is actually a busy intersection, a shopping mall, a delivery service store, or a vacant building.

To avoid problems with locksmiths:

- Find a reputable locksmith before you need one. Check whether any complaints have been filed against the business with the Ohio Attorney General's Office and the Better Business Bureau.
- Be cautious of online ads for locksmiths. Research multiple businesses rather than selecting the first service you find online.
- Be wary of businesses that operate under multiple business names. They could be using multiple names to hide unsatisfactory business practices from consumers.
- Once you find a locksmith, log the business' phone number or contact information into your phone so that you can access the information when you are locked out.
- If you are locked out of your vehicle, determine whether your roadside assistance program (if you have one) offers locksmith services.

- When a locksmith arrives at your home or vehicle, check the representative's identification. Be wary if the locksmith arrives in an unmarked car or has no official identification.
- Be skeptical if the locksmith says the only way to open the lock is to break it. Most skilled locksmiths can open locks without destroying them. Plus, breaking the lock could cause damage to your property and result in much higher costs.

If you suspect an unfair business practice, file a complaint with the Ohio Attorney General's Office.

## **Settlement Means Refunds for US Fidelis Customers**

On July 19, 2012, Ohio Attorney General Mike DeWine and 11 other state attorneys general announced a \$14.1 million Consumer Restitution Fund for customers of US Fidelis, a company that was once the nation's largest vehicle service contract dealer. The firm filed for bankruptcy in 2010.

The settlement provides significant refunds for customers of US Fidelis, but as the bankruptcy judge acknowledged, the case could have concluded without providing a dime to consumers.

### **What Went Wrong with US Fidelis**

US Fidelis was a Missouri-based business owned by two brothers, Darian and Cory Atkinson. When consumers complained about its business practices, Ohio and other state attorneys general began to investigate the marketing and advertising practices of US Fidelis and similar businesses.

On March 1, 2010, US Fidelis petitioned for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Eastern District of Missouri.

By April 2010, Ohio and 11 other states had sued US Fidelis and the Atkinson brothers for a variety of illegal actions stemming from the business' deceptive junk mail, telemarketing, robo-calls, and misleading TV ads. The states alleged that US Fidelis' solicitations misled consumers into believing their auto warranties had expired or would soon expire and that they were being contacted by a manufacturer or other entity affiliated with their original vehicle warranty. Many consumers who thought they were purchasing a warranty with "bumper-to-bumper" coverage later found the contracts full of exemptions.

Details revealed in the bankruptcy case showed that the Atkinsons had taken millions of dollars out of the company. In November 2010, the states agreed to settle their claims against the owners if they agreed to turn over their assets to the bankruptcy estate. The Atkinsons agreed. They also were criminally indicted in Missouri.

### **What Went Right for Consumers**

Since 2010, a multi-state steering committee — including Ohio, Missouri, Texas, and Washington — worked with US Fidelis, its creditors, and others involved in the bankruptcy case to reach an all-encompassing settlement that would address all consumer claims.

Often, when a business files for bankruptcy, customers have difficulty recovering money for products or services they purchased but never received, because individual consumers are in line for money after secured creditors, such as the business' bank. After secured creditors are paid, there may be little to no money left for consumers or other unsecured creditors.

But thanks to the states' work in the US Fidelis case, the multi-state settlement and a prior settlement with the service contract provider Warrantech (for which US Fidelis was the marketing company), created a \$14.1 million Consumer Restitution Fund to provide compensation to eligible US Fidelis customers.

The bankruptcy judge in the case acknowledged that without the states' careful negotiations, US Fidelis' bankruptcy could have left consumers with nothing.

To be considered for restitution, most consumers must file a proof of claim with the bankruptcy court by Oct. 5, 2012. Consumers whose contracts expire after this deadline have additional time.

For additional information or questions about filing a proof of claim, visit the US Fidelis bankruptcy website at [www.usfbankruptcy.com](http://www.usfbankruptcy.com) or call the US Fidelis Customer Hotline toll-free at 1-877-691-8477.



For more information, contact Ohio Attorney General Mike DeWine's Consumer Protection Section at **800-282-0515** or **[www.OhioAttorneyGeneral.gov](http://www.OhioAttorneyGeneral.gov)**.