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For Immediate Release**AT&T TO PAY \$7.75 MILLION FOR LETTING SCAMMERS BILL CONSUMERS FOR SHAM ‘DIRECTORY ASSISTANCE’ SERVICES**
Thousands of Customers, Including Many Small Businesses, Will Receive Refunds

WASHINGTON, August 8, 2016 – The Federal Communications Commission’s (FCC) Enforcement Bureau today announced a settlement with AT&T Services to resolve its investigation into whether the company “crammed” unauthorized third-party charges on its customers’ wireline telephone bills. AT&T allowed scammers to charge customers approximately \$9 per month for a sham directory assistance service. The scam was uncovered by the U.S. Drug Enforcement Administration (DEA) while investigating the scammers for drug-related crimes and money laundering.

“A phone bill should not be a tool for drug traffickers, money launderers, and other unscrupulous third parties to fleece American consumers,” said Enforcement Bureau Chief Travis LeBlanc. “Today’s settlement ensures that AT&T customers who were charged for this sham service will get their money back and that all AT&T consumers will enjoy greater protections against unauthorized charges on their phone bills in the future.”

The DEA discovered the cramming scam while investigating two Cleveland-area companies, Discount Directory, Inc. (DDI) and Enhanced Telecommunications Services (ETS) for drug-related crimes and money laundering. In the course of seizing drugs, cars, jewelry, gold, and computers (totaling close to \$3.4 million) from the companies’ principals and associates, DEA investigators discovered financial documents related to a scheme to defraud telephone customers. The key participants in the scheme told DEA agents that the companies were set up to bill thousands of consumers (mostly small businesses) for a monthly directory assistance service on their local AT&T landline telephone bills. The DEA referred this investigation to the FCC’s Enforcement Bureau in 2015.

AT&T received a fee from the companies for each charge AT&T placed on its customers’ bills. Although DDI and ETS submitted charges for thousands of AT&T customers, they never provided any directory assistance service. Neither DDI, ETS, nor AT&T could show that any of AT&T’s customers agreed to be billed for the sham directory assistance service. Phone companies like AT&T have a responsibility to ensure third-party charges are legitimate and were approved by the consumer.

Under the terms of today’s settlement, AT&T will issue full refunds to all current and former consumers charged for the sham directory assistance service since January 2012. These refunds are expected to total \$6,800,000. AT&T will also pay a \$950,000 fine to the U.S. Treasury.

The Enforcement Bureau has also secured strong consumer protections in the settlement that include requirements that AT&T cease billing for nearly all third-party products and services on its wireline bills, adopt processes to obtain express informed consent from customers prior to allowing third-party charges on their phone bills, revise their billing practices to ensure that third-party charges are clearly and

conspicuously identified on bills so that customers can see what services they are paying for, and offer a free service for customers to block third-party charges. In addition, the Consent Decree requires AT&T to implement a detailed program for addressing and refunding consumers who complain to the company about unauthorized third-party charges.

Placement of unauthorized charges and fees on consumers' telephone bills is an "unjust and unreasonable" practice prohibited by the Communications Act. Cramming results in consumers paying for services they never requested and expending significant time and resources to reverse unauthorized charges. The FCC has taken many enforcement actions against carriers as a result of unauthorized, misleading, or deceptive charges placed on consumers' telephone bills. In the last five years, the Commission has taken more than 30 enforcement actions against carriers for cramming and unauthorized carrier switches, totaling more than \$360 million in proposed penalties and payments to the U.S. Treasury. In 2014, AT&T agreed to pay \$105 million in fines and refunds to current and former wireless customers for unauthorized third-party subscriptions and premium text messaging services as part of a global cramming settlement with the FCC, Federal Trade Commission, and states' attorneys general. Today's Consent Decree does not impact the 2014 settlement.

For more information about the FCC's rules protecting consumers from unauthorized charges on telephone bills, see the FCC consumer guides regarding [cramming](#) and [slamming](#).

To file a complaint with the FCC, go to <https://consumercomplaints.fcc.gov/hc/en-us> or contact the FCC's Consumer Center by calling 1-888-CALL-FCC (1-888-225-5322) voice or 1-888-TELL-FCC (1-888-835-5322) TTY; faxing 1-866-418-0232; or by writing to:

Federal Communications Commission
Consumer and Governmental Affairs Bureau
Consumer Inquiries and Complaints Division
445 12th Street, SW
Washington, DC 20554

The Consent Decree is available at: https://apps.fcc.gov/edocs_public/attachmatch/DA-16-771A1.pdf.

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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC, 515 F.2d 385 (D.C. Cir. 1974).