

## [Banking and Finance Law Daily Wrap Up, TOP STORY—S.D.N.Y.: Sprint collected ‘hundreds of millions’ of cramming dollars, CFPB charges, \(Dec. 17, 2014\)](#)

Banking and Finance Law Daily Wrap Up

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By Richard A. Roth, J.D.

Cellular telephone service provider Sprint Corporation operated a billing system that it knew allowed third party billing aggregators to cram millions of dollars in illegal charges onto consumers' bills between 2004 and 2013, the Consumer Financial Protection Bureau is charging. In a complaint filed in the U.S. District Court for the Southern District of New York, the bureau claims that Sprint continued to operate the system even though it knew of the problems. In fact, the billing system remained in place even after Sprint settled cramming charges brought by the Florida Attorney General in 2010, the complaint says ([CFPB v. Sprint Corp.](#), Dec. 17, 2014, Pauley, W.)

**Billing system deficiencies.** [According to the CFPB](#), the third-party charges resulted from the use of premium text messages or premium short messaging services. These text messages offered consumers ringtones, cell phone wallpaper, or other content with one-time charges ranging from \$0.99 to \$4.99. Monthly \$9.99 subscriptions also were used, the bureau says. A text message would guide a consumer to a website where the consumer would make a purchase by providing his telephone number.

Once the purchase was made, the merchant would provide the consumer's information to a billing aggregator, who had access to Sprint's billing system and would charge the consumer's account for the purchase amount. However, the same system would allow aggregators to charge consumer accounts for items that were never delivered or even for purchases the consumer had never made.

Sprint's billing system failed consumers in a number of ways, the CFPB asserts. To begin with, consumers were enrolled in third-party billing without their consent, or even their knowledge. Since consumers did not know that third parties could add charges to their bills, they did not look for or notice those charges. Sprint also treated the third-party charges the same as its own cell phone service charges and used the same methods to collect them, the bureau says.

The company did not properly supervise the merchants or even keep track of the merchants' bills, the bureau alleges. Sprint relied on the billing aggregators to oversee the merchants' compliance with consumer protection duties, but did nothing to oversee the aggregators, the CFPB also claims.

**Inadequate company responses.** The CFPB also alleges that Sprint did not respond appropriately to consumer complaints. The company often did not make appropriate refunds or block future charges. It also ignored "numerous red flags" that should have alerted it to problems in the third-party billing system. For example, the company did not change the system after both it and some of the payment aggregators settled cramming-related enforcement actions.

According to the complaint, Sprint had a strong financial incentive not to supervise the third-party billing activity closely. The company kept about 40 percent of the PSMS revenue, with the rest being divided between the billing aggregator and the merchant.

**Company reply.** Responding to the suit, Sprint spokesperson Stephanie Vinge Walsh said "We are disappointed that the CFPB has decided to target Sprint on this issue, and we strongly disagree with its characterization of our business practices. Sprint took considerable steps to protect wireless customers from unauthorized third-party billing and is an industry leader in proactively preventing unauthorized charges. We recognize this is an important issue for our customers, and we consistently have encouraged any customers who

think they may have incurred an unauthorized third-party charge on their phone bill to contact Sprint to resolve the issue.”

The case is [No. 14-CV-9931](#).

Companies: Sprint Corporation

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