



Hot issues

Telstra misled its customers over third party charges

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Telstra admitted that over 100,000 of its customers were misled over third party charges by its Premium Billing service.

Yesterday, the Australian Competition & Consumer Commission (ACCC) launched proceedings against the telco giant, alleging that Telstra made false or misleading representations to consumers regarding its third party billing services.

Along with admitting that it misled its customers, Telstra agreed to consent to orders in the Federal Court. This means that Telstra could face pecuniary penalties of up to \$10 million, once final orders are determined by the Federal Court. As well, the ACCC proceedings allege that Telstra's conduct was in contravention of the ASIC Act, as it relates to financial services and/or financial products.

During 2015 and 2016, a minimum of tens of thousands to potentially over 100,000 of Telstra's customers were unknowingly signed up to subscriptions or charges with third parties, without actually giving their payment details or verifying their identity. As well, Telstra customers were not adequately informed that Telstra had set up the Premium Billing service as a default on their mobile accounts. This premium direct billing service enabled mobile customers to purchase online content by only hitting the "subscribe now" or "purchase now" button, with the charge then being added to their phone bill.

Telstra's Premium Billing service has been operating since July 2013, but Telstra has ceased operating it now. Up until October 2017, Telstra generated \$61.7 million in net revenue from commissions on the Premium Billing service from over 2.7 million mobile numbers.

The ACCC Chairman, Rod Sims, said, "Telstra has admitted that it misled customers by charging them for digital content, such as games and ringtones, which they unknowingly purchased. Many Telstra customers paid for content they did not want, did not use, and had difficulty unsubscribing from".

According to Mr Sims, not only did Telstra know that the Premium Billing service was misleading its customers and billing them, Telstra still continued to bill its customers. Particularly during the period from early 2015 to at least June 2016, Telstra was aware because of the abundance of calls disputing the charges and the huge number of its customers unintentionally buying and being charged for Premium Billing content subscriptions. The Telco was also aware that children in particular were at risk of accidentally subscribing to such services when using their family member's phone.

For many years, mobile consumers have been negatively affected by unwanted third party charges by their telecommunications providers, simply by clicking on advertisements when using their

mobile devices to browse websites which automatically subscribes them to unwanted services. In an ACCAN survey, released in July 2017, ACCAN found that 12 per cent of respondents experienced third party charges on their mobile phone bills in the last six months. This amount may seem low, but when examining just how many Australian adults are with Telstra, Optus or Vodafone (the mobile providers that allow these services), this 12 per cent could mean that as many as 1.9 million adults in Australia received unexpected charges on their mobile bills, potentially being collectively charged as much as \$20 million dollars. ACCAN's survey also found that over a third (36 per cent) of these reported unexpected charges were for \$10 or more.

ACCAN has called for stronger consumer protections within the industry code to cover all types of third party billing and for third party billing to be opt-in. By making it opt-in, consumers have to specifically ask to allow third party billing on their account, rather than opting-out of the service.

Following ACCAN's survey, Telstra announced it would no longer allow third party mobile subscriptions from 3 December 2017. Also in December, Optus announced that it was suspending "certain subscription-based Third Party Content" from 31 January 2018. Vodafone has also stopped allowing third party subscription services, with the exception of Spotify.

As Telstra has admitted to making false or misleading representations, Telstra is offering affected customer's refunds. Telstra estimates that it has refunded at least \$5 million to its customers, but the ACCC estimates that several million dollars more may be refunded.

Telstra's Group Executive of Consumer & Small Business, Vicki Brady, said, "We apologise to our customers who have been charged for PDB subscription services they did not knowingly request or could not opt out of".

ACCAN CEO, Teresa Corbin, said, "We urge all Telstra mobile customers to take the ACCC's advice – check your account, and if you've been billed for unauthorised third party charges, get in touch with Telstra to arrange a refund – customers can call on 13 22 00".