



CONSUMER NEWS

SAN DIEGO CITY ATTORNEY'S OFFICE

Grey Charges: All Trick, No Treat

October 2013

They lurk in the shadows, preying on the unsuspecting and the inattentive. They latch on to their victims, and don't let go without a fight. They are, of course, grey charges: hidden and unwanted fees that sneak into your credit card statement, often without you noticing.

While not illegal (since they are usually explained in the fine print), these frustrating little charges are designed to be hard for consumers to spot. They rely on consumers not paying close attention to their credit card statements, or not taking the time to dispute small unauthorized charges. Grey charges are more common (and more costly) than you might think. A recent report found that grey charges hit one-in-three Americans last year, amounting to over \$14.3 billion annually, nation-wide. That averages to \$75 per person, and \$215 per consumer who was assessed a grey charge!

With Halloween just around the corner, let's take a look at our rogues' gallery of these spooky little tricksters.

7 COMMON TYPES OF GREY CHARGES

Phantom Charges:

These occur when consumers use their credit cards to buy a product, and then find themselves receiving additional products from that (or, sometimes, a different) vendor.

Ghost Subscriptions:

This is when consumers complete what they think are one-time transactions, only to find they have unwittingly purchased ongoing subscriptions (for which they will be charged, of course!)

Zombie Charges:

Some people just won't take "no" for an answer. These are memberships or subscriptions that don't end, even after you've canceled them. Like their namesakes, these charges return from the dead to haunt your credit card statements.

The Cost Creep:

A consumer buys a service or a subscription, only to find (often months later) that the price of that service has been creeping up without the consumer noticing. Beware the siren call of the introductory rate!

Free-to-Paid:

Ok, so they don't all have ghoulish names, but they are all annoying, and potentially harmful to your budget. Free-to-paid charges are similar to the cost creep. A consumer signs up for what he or she thinks is a free service, only to get a bill when the company starts charging them at the end of an introductory period. Many people sign up for a free trial period and forget to cancel the service before

the trial expires. These charges alone cost Americans \$6 billion annually!

Memberships:

This one has been around for a while. You join a "club" to get a discount on a product you are buying. But there's a catch! The club will send you (and bill you for) additional products periodically, until you tell them not to, or cancel your membership. Think book- or record-of-the-month clubs.

Unwanted Auto-Renewals:

Auto-renewals are a handy way to pay for your favorite services or subscriptions without being bothered every few weeks. But when you didn't want to renew a membership or subscription, they can charge you long after you expected to pay. Often, consumers are enrolled in an auto-renew program if they don't "uncheck a box" at the time of purchase.

Hidden Fees:

We're all too familiar with extra fees and surcharges hidden away in the fine-print of a purchase agreement or order form. These come with a variety of names, but they all amount to one thing: fees and charges you didn't know you were going to have to pay.

WHAT YOU CAN DO TO PROTECT YOURSELF

There are a number of simple precautions you can take to protect yourself (and your bank statement) from these sneaky little charges.

First and foremost, an ounce of protection is worth a pound of cure. Wherever possible, read the fine print of any purchase agreement or product order form you use. If an offer looks too good to be true, look closer – it probably is. And if you sign up for a “free” service, keep an eye on it and make sure to cancel in time if it won’t be “free” for long.

Next, go through your credit card statement with a fine-toothed comb. This will not only protect you from grey charges, but from all sorts of other problems, like credit card fraud or identity theft. This is a lot easier if you only use one card for on-line purchases and services. Be sure to contest any unauthorized charges immediately with your credit card company and/or the company assessing the charge.

Finally, if you just can’t get rid of a charge, get your bank or credit card company to close your account and open a new one.

As always, it pays to be an engaged and educated consumer. Take an active role in your personal finances, and you can avoid many of these nasty little tricks.

CITY ATTORNEY’S ROLE

Since these charges are usually legal, there isn’t a lot consumer protection agencies can do. Unfortunately, most of the work will have to fall on consumers themselves.

But, if you feel you have been defrauded or otherwise taken advantage of by deceptive business

practices, consider reporting it to an organization like the Better Business Bureau, or to your local consumer protection agency. You can find the hotline number for the San Diego City Attorney’s Consumer & Environmental Protection Unit at the bottom of this page.

**San Diego
City Attorney’s Office
Consumer and Environmental
Protection Unit
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The information provided in this newsletter is intended to convey general information and is not intended to be relied upon as legal advice.

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The San Diego City Attorney’s Consumer & Environmental Protection Unit prosecutes criminal and civil violations of California’s unfair competition and other consumer laws committed in the City of San Diego. The Unit maintains a Phone Hotline for consumers to report possible violations. You can reach the Hotline at **(619) 533-5600**.