

VOF Consumer Affairs

County wins big in fraud settlement

By BOB SMITH
STAFF WRITER

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The largest consumer-related judgment in the history of Santa Cruz County was announced this morning by Santa Cruz County District Attorney Art Danner.

A direct-mail marketer based in Stamford, Conn., has agreed to pay a total of \$1.25 million to the county and the state of California as part of a consent decree that also requires it to change some of its marketing practices.

CUC International also agreed to make significant changes in the way it operates in California.

Santa Cruz County will keep \$800,000, \$400,000 goes to the state and \$50,000 goes into a Consumer Fraud Trust Fund administered by the state Attorney General's Office.

Danner expects to receive the county's share tomorrow.

Chances are good that anyone with bank credit card has received a telephone or mail solicitation from CUC International or one of its subsidiaries, urging him to sign up immediately for a discount shopping, traveler's or automobile buying service.

The company buys mailing lists from the banks and other companies that administer VISA and Master Card programs, then sends out solicitations by the millions to the credit card holders.

In many cases, the mailings appear to have come directly from the banks involved and it is only in the fine print at the bottom of offer that CUC's identity is disclosed.

In other cases, CUC uses the names of its own subsidiaries on the offers.

It's big business, Danner said.

CUC, which operates buying programs variously known as Shoppers Advantage, Travelers Advantage or AutoVantage, has an estimated 18 million customers nationwide and estimated gross revenues of \$900 million.

Once a consumer signs up for one of the services, his bank credit card is debited every year for the annual \$49 membership fee, Danner said.

"A perpetual money machine," Danner called it.

The company agreed this morning to stop some of its more questionable tactics and print its disclosures — particularly the one saying that credit card accounts would be debited automatically every year without prior warning — in larger type (10-point — the size of type in this article).

Assistant District Attorney Don

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FRAUD

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Gartner, the county's consumer affairs specialist, who spent more than 1½ years on the case, said this morning that the company had not violated California's existing, skimpy laws on "negative marketing" — the practice of automatically billing a customer for an ongoing service every year.

"The company says, 'We are not selling unsolicited goods and services,'" said Gartner, paraphrasing the company's response and referring to the one area covered by California law. "But it is clear

that they don't want to disclose the perpetual renewal."

California's law, he said, needs to be overhauled, Gartner said, "but there isn't a chance in a billion that the legislature will outlaw negative marketing."

He said he would like to see the legislature require negative marketers at the least to do the following:

- Require standards of disclosure at the time of solicitation that tell the customer: "If you sign up and buy my service, you will be billed for my service every year."

- Before a new billing, the service has to notify the customer and give them the chance to cancel, if they want to.