



Free Trial Offers Usually Have Strings Attached

From the Office of Minnesota Attorney General Lori Swanson

If you're like most consumers, you've been solicited for a "free trial offer." The promoter may try to sign you up by telling you that the promotion is only for a limited trial period and that, if you don't like the product or service, you will not be on the hook financially. You may not be clearly told that, if you don't cancel within the trial period, you may be on the hook financially for ongoing charges. You also may not be told that the marketing company already has the ability to charge your credit card or bank account at the end of the trial period—without you even taking out your wallet—because of a contract it has with another company with which you do business.

Companies often use free trial offers as gimmicks to dupe consumers into unwittingly paying for ongoing monthly charges for products or services of little value. Free trial offers are often used by discount membership clubs and similar organizations. These companies must resort to questionable marketing practices because their products often cannot stand on their own merits if the charges and services are described fairly and accurately to the consumer. The bottom line is this: companies are not in the business of giving things away for free, and they only use free trial offers because they want to sell you a paid product or service.

You Usually Must Opt Out to Avoid Future Charges

Free trial offers are for a limited duration. The marketing company may offer you a 10-, 30-, or 60-day "trial period," telling you that, if you discover that you don't like the product or service within the trial period, you will not be financially obligated to pay for anything. With free trial offers, the fine print matters. Free trial offers often come with a so-called "negative option." Under negative-option marketing, the burden is on you—the consumer—to cancel within the trial period. If you don't cancel on time, the seller will interpret your silence or failure to cancel as permission

to charge your credit card or bank account, usually for a monthly recurring fee. Free trial offers are sometimes called "free-to-pay conversion" offers, because their sole purpose is to convince a "free" customer to become a "paying" customer.

The "Free Trial" Promoter May Already Be Able to Charge Your Account

In a normal sales transaction where you want to buy something, you must give the seller cash, a check, or your debit or credit card. In other words, you take out your wallet to pay for what you are buying. This often is not true with free trial offers.

Many retailers and other companies with which you do business enter into agreements with unrelated membership clubs or marketing companies to allow them to charge your accounts for purchases you make. In other words, the company offering the free trial offer already has the key information needed to bill your credit card or checking account—and will bill you without further approval from you unless you cancel within the trial period. This is sometimes called "data pass" marketing—because one company with which you do business (often an otherwise-reputable company like a car rental company or retailer) has essentially "passed" the ability to use your data to another company. With "data pass" marketing, the first company usually receives a fee or payment for allowing the third company the ability to charge your bank account.

Promoters of free trial offers often use a practice called "upselling." With upselling, you may enter into a legitimate transaction with a company from which you genuinely want to buy a product or service. At the end of the call to the first company, you may be told about a free trial offer from another company. Or at the end of an Internet transaction with the first company, you may receive a pop-up box from another company. The consumer is often led to believe that the second offer is related to the first offer or company.

For example, a car rental company may enter into a contract with a discount membership company that offers discounts on magazines, computer products, travel, retail purchase, etc., or that offers products like credit protection. When you rent the car online, a pop-up ad may appear offering you a 30-day free trial offer to receive discounts on travel. You may agree to the 30-day free trial offer because, after all, you have not given the travel membership company your credit card number—and you think that the membership company will need to come back to you at the end of the trial offer before it can bill you. What you don't know is that the travel membership company has entered into a contract with the car rental company to obtain access to your credit card. The fine print of the pop-up ad may inconspicuously tell you that the travel membership company will charge you a fee if you don't cancel in 30 days—but many consumers miss the fine print, which is not always easy to detect.

What You Can Do

- 1. Be Wary of Free Trial Offers.** Companies are not in the business of giving away their products or services for free. They offer you “free trial offers” for one reason: they want to sell you something and convert you to a paying customer. Whether it's an Internet pop-up ad or a mailing to your home, read the fine print. Don't sign up for free trial offers for products or services you don't really want just because they are free—there are almost always strings attached with free trial offers.
- 2. Read Your Bank Statements.** Promoters of membership clubs—such as travel clubs, buying clubs, etc.—often use free trial offers to lure in consumers, as do companies that offer credit protection coverage and other services. These companies often charge consumers' credit cards a relatively low monthly fee—usually less than \$20—so that the amount will fly under the consumer's radar and avoid detection. Many consumers discover that they have been tricked by a free trial offer when they detect unknown
- 3. If You Are Billed for Unwanted Services.** If you find a charge on your bank or credit card account for an unwanted or unauthorized service, you should immediately report it to your financial institution. Your financial institution should undertake an investigation and may agree to reverse the charges, clearing your account of the unauthorized or unwanted charge. You should also immediately dispute the charge with the membership club or other company that posted the charge to your account.

If you have questions or are in need of assistance, please contact the Minnesota Attorney General's Office as follows:

Office of Minnesota Attorney General

Lori Swanson

445 Minnesota Street, Suite 1400

St. Paul, MN 55101

(651) 296-3353 (Twin Cities Calling Area)

(800) 657-3787 (Outside the Twin Cities)

TTY: (651) 297-7206 or (800) 366-4812

www.ag.state.mn.us