

## Cell Phone Service Bills, Long-Term Contracts, and Complaints

Consumer complaints about cell phone service often involve billing issues. In fact, Federal Communications Commission (FCC) data reveal that customers filed 25,942 complaints about wireless telecommunications in 2005 and that more than half of these complaints were billing and rate-related.<sup>1</sup> Data from the Council of Better Business Bureaus (CBBB) show that customers filed 31,671 complaints about cell phone companies in 2005, which means that, for the second consecutive year, cell phone service and supplies is the most complained about business in the United States.<sup>2</sup> According to the CBBB, nearly two-thirds of cell phone complaints include billing problems.<sup>3</sup>

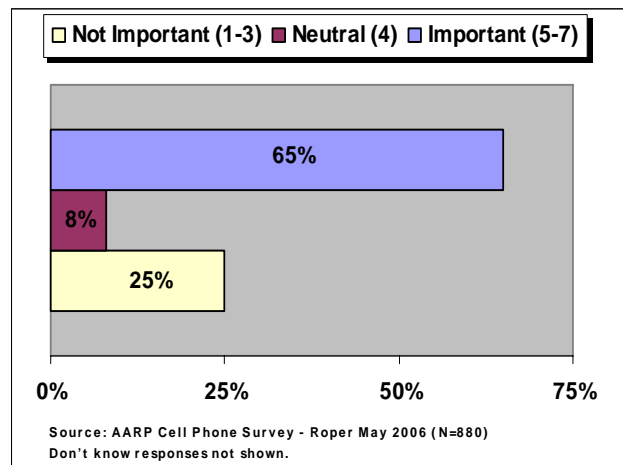
The large number of cell phone billing complaints filed at the CBBB and the FCC may be partially attributable to a common practice in the cell phone industry in which consumers are locked into long-term contracts before they have sufficient opportunity to review their first monthly bill. The industry standard is to provide a fourteen-day grace period that starts when a customer initiates service with a cell phone provider and often ends before the consumer receives his or her first bill. Because these contracts include early cancellation penalties of \$150, \$175, \$200 or more, consumers generally have no practical option to switch service providers if they find that the amount of their first bill exceeds the advertised price of service or that they were otherwise confused or misled about the terms of their contract.

### Receiving the First Bill before Cell Phone Service Lock-In is Important

Findings from the AARP Cell Phone Survey – Roper (2006)\* indicate that most cell phone users 1) believe it is important for consumers to receive their first monthly bill before they have to decide whether to keep the cell phone service and 2) support legislation giving consumers the right to terminate their cell phone service up to 20 days after receiving their first bill. The findings also suggest that the number of reported complaints about cell phone service is less than what it might be because many cell phone users do not know whom to contact if they are unable to resolve a problem with their cell phone service provider.

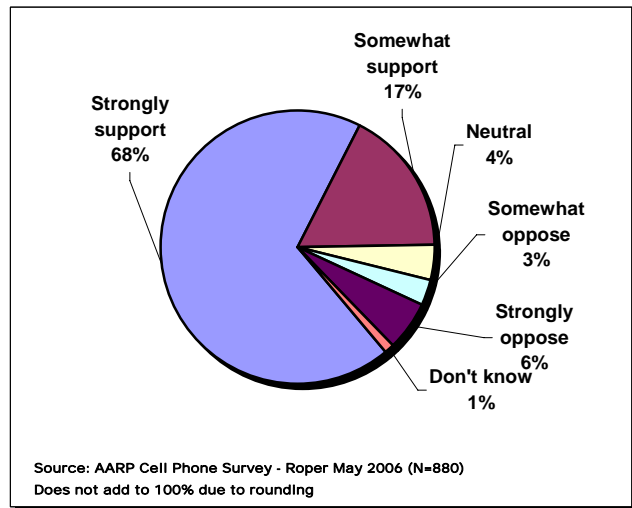
- On a scale of 1 to 7, where 1 means not at all important and 7 means extremely important, cell phone users were asked to rate how important it would be for them to be able to receive their first monthly bill before they decide whether to keep their cell phone service. Almost two-thirds of cell phone users (65 percent) said it was important; more than half of this group said it was *extremely important*. Twenty-five percent of cell phone users said that it was not important; about half of this group said that it was *not at all important*.

**Figure 1: Importance of Receiving First Monthly Bill Before Cell Phone Service Lock-In On a Scale of 1 to 7 (Not at All Important to Extremely Important)**

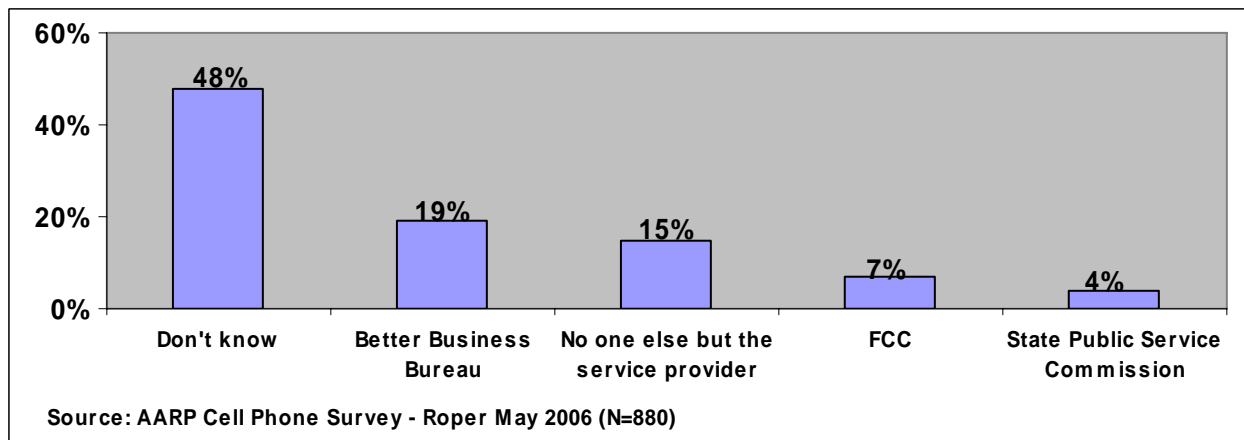


- The vast majority of cell phone users (85 percent) said that they support legislation allowing cell phone users to cancel their phone service up to 20 days after receiving their first cell phone bill, even if the consumer would still be responsible for the first billing charges (Figure 2).
- Almost half of all cell phone users (48 percent) reported not knowing whom to contact in the event their cell phone service provider could not resolve a billing or service problem to their satisfaction (Figure 3). Very few cell phone users (7 percent) said they would contact the FCC, the federal agency that tracks cell phone service complaints.

**Figure 2: Support for Legislation to Ensure Bill Disclosure before Cell Phone Service Lock-In**



**Figure 3: Top Potential Points of Contact to Resolve an Unresolved Problem with a Service Provider**



**\*Methodology**

The findings presented are the results of a telephone study conducted May 15-30, 2006 by Roper Public Affairs & Media among a nationally representative sample of 1,350 adult Americans ages 18 or older, including 880 cellular telephone users. Data are weighted using U.S. Census data to accurately represent the population of adult Americans. The margin of error for the total sample is +/- 2.7 percentage points at the 95% confidence level, and the margin of error for cellular telephone users is +/- 3.3 percentage points.

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<sup>1</sup> Federal Communications Commission, Consumer & Governmental Affairs Bureau, Quarterly Inquiries and Complaints Reports, available at <http://www.fcc.gov/cgb/quarter/welcome.html>.  
<sup>2</sup> Council of Better Business Bureaus, "Better Business Bureaus Provide Close to 90 Million Instances of Service in 2005," Press Release (March 8, 2006), available at <http://www.bbb.org/alerts/article.asp?ID=663>.  
<sup>3</sup> Council of Better Business Bureaus, "Better Business Bureau Analysis of Cell Phone Complaints Reveals Root Causes of Customer Dissatisfaction," Press Release (May 4, 2004), available at <http://www.bbb.org/alerts/article.asp?ID=511>.