



## FEDERAL TRADE COMMISSION PROTECTING AMERICA'S CONSUMERS

# FTC Charges "Miss Cleo" Promoters with Deceptive Advertising, Billing and Collection Practices

## "Free Readings" Result in Large Phone Bill Charges

February 14, 2002

"Miss Cleo," the purportedly "renowned psychic" whose ads promote "free" readings to callers seeking advice, is the subject of a federal district court complaint filed today by the Federal Trade Commission. The complaint charges two Florida corporations, Access Resource Services, Inc. (ARS), and Psychic Readers Network (PRN), with deceptive advertising, billing and collection practices.

"You don't need a crystal ball to know that the FTC will continue to stop unfair and deceptive trade practices," said J. Howard Beales III, Director of the FTC's Bureau of Consumer Protection. "We want consumers to know that when companies make a promise in an ad, they need to deliver."

The defendants' entire operation is alleged to be permeated with fraud. According to the complaint, the defendants misrepresent the cost of services both in advertising and during the provision of the services; bill for services that were never purchased; and engage in deceptive collection practices. The defendants also harass consumers with repeated, unwanted, and unavoidable telemarketing calls that consumers cannot stop. The FTC also alleges that the defendants often respond to consumers' inquiries with abusive, threatening, and vulgar language.

The FTC's complaint names ARS, doing business as Aura Communications; Circle of Light; Mind and Spirit; and PRN, doing business as Psychic Readers Network, Inc., and their officers, Steven Feder and Peter Stolz. ARS and PRN, both located at the same address in Fort Lauderdale, Florida, operate as a common enterprise to induce consumers to buy their audiotext services -- information or entertainment programs provided over the telephone lines. The defendants purportedly are the largest providers of "psychic" audiotext services in the United States, and use a variety of marketing tools to attract consumers to their services, including TV, print media, the Internet, and direct mail. The defendants make their services available to consumers via 900 telephone numbers and bill for each minute spent on the line at a per-minute rate. They use a national network of "psychic readers" to provide "readings" to the consumer who calls the 900 number.

Specifically, the FTC's complaint alleges that the defendants:

Deceptively misrepresent, in their advertising, that a "reading" will be provided at no cost;

Through their agents, misrepresent the cost of the calls by claiming that consumers' free minutes have not expired, that the consumer had been awarded additional free time, or that the consumer will not be charged while on hold;

Falsely represent that consumers are legally required to pay for services even though, in many instances, no such legal obligation exists; and

Engages in unfair practices by frequently and repeatedly calling consumers, including consumers who had previously indicated they did not wish to receive such calls, and by failing to provide consumers with a reasonable method to stop such calls.

In addition, the complaint alleges that the defendants violated the FTC's 900 Number Rule by:

Failing to make required cost disclosures in their advertisements, and diluting the disclosures that they do make with contradictory information; and

Threatening to report adverse information to credit reporting bureaus without first conducting an investigation of billing errors.

The FTC is seeking a temporary restraining order against the defendants.

The Commission vote to authorize staff to file the complaint was 5-0. The complaint was filed in U.S. District Court for the Southern District of Florida, in Fort Lauderdale, on February 13, 2002.

**NOTE:** The Commission files a complaint when it has "reason to believe" that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. The complaint is not a finding or ruling that the defendant has actually violated the law. The case will be decided by the court.

**Copies** of the complaint are available from the FTC's Web site at <http://www.ftc.gov> and also from the FTC's Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint, or to get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or use the complaint form at <http://www.ftc.gov>. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

(FTC File No. 012 3084)

(Civil Action No.: 02-60226 CIV GOLD)

## Contact Information

### Media Contact:

Cathy MacFarlane or Brenda Mack

*Office of Public Affairs*

202-326-3657 or 202-326-2182

### Staff Contact:

Eileen Harrington or James Kohm

*Bureau of Consumer Protection*

202-326-3128 or 202-326-2640