



Beware of “Live Checks” Bearing Conditions

From the Office of Minnesota Attorney General Lori Swanson

Many companies offer potential customers incentives to encourage the purchase of goods and services. Recently, companies have begun to use check payments in connection with some marketing campaigns. Typically, a consumer receives a mailing that includes a “live check.” The fine print on the back of the checks may contain language indicating that by endorsing the check, the consumer agrees to certain terms. Such terms may include membership in a club, subscription to a service, or purchase of a product.

A consumer may receive a live check and cash it, believing that it represents payment for a service rendered. Some unscrupulous marketers use checks that resemble refunds or rebates. A consumer may cash such a check, unaware that he or she is agreeing to be billed monthly for an unwanted and costly service, such as Internet access or membership in a web directory. Businesses and organizations may be particularly susceptible to cashing live checks without fully understanding the nature of the solicitation, since they frequently receive checks for payment.

Some consumers have complained that they cashed these checks without realizing that by doing so, they were charged for products or services. In some cases, such checks may bear conditions that are disclosed in small font, or placed in locations on the check that make the information difficult to access. For instance, a live check may include an asterisk near the amount, indicating that the recipient may read the rear side of the check for more information. The back of the check may then include a “disclosure” indicating that endorsing the check obligates the consumer to a certain purchase.

Protect Your Interests

The Minnesota Attorney General’s Office warns consumers to closely scrutinize any payments or checks that they receive to avoid accidentally signing up for an

unwanted program, product, or service. Consumers are further cautioned to closely monitor their accounts to catch any suspicious withdrawals or charges on their banking or credit accounts. A company may obtain a consumer’s checking account information once the live check is deposited into an account. Once the marketing company has obtained the account information, it may use the information to process electronic withdrawals from the account.

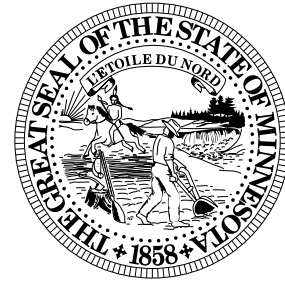
What to Do if You are Billed for Unwanted Services

Consumers who are billed electronically for unwanted services should contact their financial institution immediately. Consumers are encouraged to dispute unwanted charges by filing a written “Affidavit of Unauthorized Charges” with their financial institution. Based upon the investigation of the financial institution, it may agree to reverse the charges, clearing the consumer’s account on the unauthorized debit.

Financial institutions are typically regulated at the national or state level, depending upon the institution’s charter. The Office of the Comptroller of the Currency (“OCC”) is the federal agency with the authority to regulate nationally-chartered banks. The Minnesota Department of Commerce is the state agency with the authority to regulate state-chartered banks in Minnesota. Accordingly, consumers who have concerns about the conduct of a given financial institution may wish to file a complaint with the appropriate regulatory agency. Consumers may contact the OCC and the Minnesota Department of Commerce as follows:

Office of the Comptroller of Currency
Customer Assistance Group
1301 McKinley, Suite 3710
Houston, TX 77010
Toll free: 1-800-613-6743

Department of Commerce
Market Assurance Division
85 East Seventh Place, Suite 500
St. Paul, MN 55101
(651) 296-2488
Toll free: 1-800-657-3602



Consumers may also report unauthorized to charges to the Federal Trade Commission, which may be contacted as follows:

Federal Trade Commission
Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, D.C. 20580
Toll free: 1-877-382-4357

Beware of “Live Check” Loan Solicitations

Some financial institutions use “live checks” in loan solicitations. A consumer may receive a check (in some cases for thousands of dollars), bearing conditions. By endorsing the check, the seller will claim that the consumer has agreed to a loan from the company. Unfortunately, consumers entering into such loans often do not discover that the loan bears high interest rates, fees or other adverse terms and conditions until they have already agreed to enter into the loan with the financial institutions. Although financial institutions are required by law to make certain disclosures in the solicitation, such as identifying that the payment is a *loan*, the information may be disclosed in small font, or placed in locations on the solicitation that make the information difficult to access.

For more information about consumer issues, contact the Minnesota Attorney General’s Office as follows:

Office of Minnesota Attorney General

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(651) 296-3353 or 1-800-657-3787

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