



## PRESS RELEASE

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### **AG Frosh Announces \$11 Million Settlement with Classmates, FTD** *Companies allegedly allowed third-parties to charge for programs consumers did not want or use*

**Baltimore, MD (May 26, 2015)** - Attorney General Brian E. Frosh today announced an \$11 million settlement with Classmates and FTD, resolving allegations that the companies engaged in misleading advertising and billing practices. The Maryland Office of the Attorney General led the investigation of and settlements with the well-known social networking site and popular online florist, which was joined by 21 other Attorneys General.

Classmates, which aims to connect people who attended high school together, and FTD, one of the largest floral companies in the world, allegedly violated state consumer protection laws by allowing third-parties to charge online customers who failed to expressly reject an offer or cancel an agreement. In that practice, known as negative option marketing, consumers who skip over or fail to specifically opt out of membership programs are giving their assent, often unknowingly, to be charged. The Attorneys General alleged that at one time as many as 89 percent of the Classmates' customers were paying for memberships they did not know they had purchased.

"This is a suspect sales practice that often goes unnoticed by customers who end up paying for something they never wanted," said Attorney General Frosh. "Consumers should always carefully review service agreements or other add-on offers when making a purchase to ensure there are no strings attached."

The third-party marketers offered membership programs, such as discount buying clubs and travel rewards programs, often immediately after the consumer's online purchase with Classmates or FTD. Unbeknownst to the consumer, Classmates and FTD would share consumers' personal information, including credit card account numbers (a practice known as "data pass") so that the consumer could be billed for these offers if they did not cancel. Congress banned data pass in Internet transactions in 2010 with the passage of the Restore Online Shoppers' Confidence Act. The companies' alleged use of data pass occurred prior to the adoption of the federal law.

A number of Attorneys General resolved similar allegations in 2013 against two of Classmates' and FTD's marketing partners, Webloyalty, Inc. and Affinion Corp. [That settlement](#) included a restitution payment for consumers in excess of \$19 million.

Today's agreement ensures that consumers knowingly consent to the purchase of any membership program offered by a marketing partner of Classmates or FTD.

Other key provisions of the settlement include:

- Prohibiting the companies from misrepresenting the reason for requesting a consumer's account information.
- Banning the companies' marketing partners from using FTD's and Classmates' names or logos in the title of a membership program. Any offer must be made after consumers have concluded their transactions with Classmates or FTD, in order to ensure that consumers understand they are receiving a separate and distinct offer from a company other than FTD and Classmates.
- Requiring that before consumers are transferred to a marketing partner to receive a trial offer, the consumers must receive clear disclosures informing them that they will be transferred to another site to receive a membership offer and the consumers must consent to the transfer.
- Barring Classmates/FTD and its marketing partners from stating an offer is "free" or "risk-free" if the offered program will convert to a paid subscription.

The Attorneys General also investigated Classmates' renewal and cancellation practices. The Attorneys General alleged that paid users of Classmates.com were not adequately informed that their subscriptions would automatically renew and cancelling their subscriptions was difficult. Under the settlement, Classmates has agreed to significantly change its business practices, including more clearly disclosing the automatic subscription renewal and making it easier for consumers to cancel their subscriptions.

Under the settlement, Classmates and FTD will pay \$8 million to the participating states. Additionally, Classmates is establishing a \$3 million restitution fund to provide refunds to consumers who were enrolled into Classmates' subscription service without authorization or who experienced difficulty when trying to cancel.

Marylanders seeking a refund from Classmates should [file a complaint with the Office of the Attorney General Consumer Protection Division](#) or call 410-528-8662 by August 26, 2015.