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FTC Stops Online Subscription Service Offering “Free” Trials with Hidden Terms



A global marketer who charged consumers after they signed up for "free trials" has settled with the FTC. The FTC alleged that the defendants made \$74 million by enrolling customers for paid subscriptions of cosmetics and dietary supplements without their consent.

The FTC characterized its complaint as part of an effort to hold companies accountable when they supposedly offer "free trials" but hide the real terms and conditions. The FTC filed a [complaint in July 2019](#), seeking a permanent injunction and other equitable relief against AH Media Group, LLC, and the company's owners, Henry Block and Alan Schill. The FTC later filed an [amended complaint](#) in October 2019, adding Zanelo, LLC ("Zanelo") as a defendant. The complaint alleged that Zanelo was also active in the deceptive scheme. The Complaint explained that the defendants would offer "trials" of their products for just the cost of shipping and handling, which would be approximately \$4.99 or less. After the consumers ordered trial products, defendants would enroll consumers into a plan whereby they would automatically charge consumers for the product after an initial two-week trial period. The defendants would conceal the costs of the "free trials" behind links to "terms" in small font and faded background text. The FTC alleged that the full price for the product was approximately \$90 and that defendants continued to charge consumers the product's full price, plus an additional shipping and handling fee, each month, until the consumers cancelled the plan. The FTC contended that the defendants would "frequently" charge consumers for additional products and enroll consumers in continuity programs related to those products with consumers' knowledge or consent. Finally, the FTC alleged that the defendants made it extremely difficult for consumers to cancel the subscriptions. Consumers were not permitted to cancel online and instead had to call a customer service number where they were often put on hold. The Complaint also alleged that when consumers would challenge charges with their credit card companies, the defendants would use fraudulent versions of their websites to prevent consumers from being reimbursed for unauthorized purchases. The FTC claimed that the defendants violated Section 5 of the FTC Act, the Restore Online Shoppers' Confidence Act, and the Electronic Fund Transfer Act. The proposed settlement orders bar Schill, Block, AH Media, and Zanelo from participating in negative option marketing and from misrepresenting any fact material to consumers concerning any good or service. The settlements also require defendants to clearly and conspicuously

present all material terms and conditions of any refund and cancellation policy. The proposed settlement order against [Schill and Zenlo](#) imposes a \$74.5 million judgment, and the proposed settlement order against [AH Media and Block](#) imposes a \$67 million judgment. However, the judgments are partially suspended. Defendants are required to pay about \$4,375,000, which will be used to refund defrauded consumers.

Authors

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