

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer and Business Education

'Free' and 'Low-Cost' PC Offers: *Go Figure*

Washington, D.C. – You've probably seen the ads for "low cost" PC's—"PC's for \$199"—or even "free" computers. If you're in the market for a personal computer, the Federal Trade Commission (FTC) wants you to know that "free" doesn't always mean free. Very often, certain conditions and restrictions found in the fine print of advertisements for "free" or "low cost" PC's can turn a so-called deal into a big ticket buy.

"Free" or "low-cost" PC offers often require "bundled" Internet service contracts, which may last up to three years. In return for signing up for Internet service, you can get as much as a \$400 rebate on the computer purchase. While some of these offers can be good deals, many are not as affordable as they may seem. Frequently, important details about the rebate and Internet service offer are difficult to ferret out because they're left out of the advertising or buried in the fine print.

Up-Front Costs

To get a "low cost" PC, you may have to pay the full cost of the computer up front—that is, the total price without any rebates. If the PC is advertised for \$199 after rebates, you may have to pay \$599, plus any sales tax and shipping charges, and then send for the \$400 rebate.

Usually, you have to apply for the rebate in writing, mail in documentation of the sale and then wait—sometimes months—until you receive your rebate check. Sometimes "instant" rebates are offered and you can get your deduction immediately. But some offers allow you to spend the rebate only on other merchandise from the manufacturer or retailer, meaning you still have to pay the full price for the computer.

Internet Access

When you buy a "free" or "low cost" computer, you often have to sign up for three years of Internet service at \$20-\$30 a month—a total cost of up to \$1,000 for three years. Technology is changing at a dizzying pace. It's possible that the three-year Internet service you lock in today could be out of date in six months or a year. And if you'd like to cancel your service, you'll likely have to pay a substantial penalty.

If you decide to cancel your Internet service for any reason, chances are you'll have to pay back some or all of the rebate you received; you also may have to pay a cancellation fee of \$50 or more.

If you don't live in a major metropolitan area, you may have to pay long distance telephone charges to access the Internet. Or you also may be able to use a "toll-free" (800, 888 or 877) number

supplied by the Internet Service Provider (ISP), but you may be charged five or six dollars an hour to use their “toll-free” number. Whether you choose to use the ISP’s telephone number or pay long-distance charges, your phone calls to access the Internet could add up to more than you’ll save through the rebate.

If the PC offer requires you to sign-up for Internet service, ask the retailer and the ISP for the Internet access phone numbers closest to you. Then check with your local phone company to determine whether you have to pay long distance rates to use those phone numbers. You may want to consider another offer if the “deal” you’re considering requires you to call long distance or pay a fee to access the Internet.

Other Costs

It’s possible that the cost of a monitor or other crucial system components may not be included in the PC offer you’re considering. The advertisements for the offer may not be clear about what’s included. If you have to buy a monitor, for example, plan on spending at least an additional \$150.

When considering a “free” or “low cost” PC offer, ask the retailer about up-front costs, rebates, essential components, Internet access costs, long-term commitments, cancellation policies, local or long distance phone access and any other important issues. Details will help you make the deal that’s right for you.

Filing a Complaint

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 consumer issues, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or use the complaint form at 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.



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