Case Reference	R/E/I/050
Title	Globe Telecom's Tenfold Increase in Prepaid Card Calling Rates
Case Opened	15 September 2004
Case Closed	28 January 2005
Complainant	IDA initiated enforcement proceeding
Respondent	Globe Telecom Pte Ltd ("Globe Telecom")
Case Summary	In March 2004, IDA received several complaints from end users against the prepaid calling card service called "Cool Calling Card", provided by Globe Telecom. The end users alleged that Globe Telecom had suddenly and unreasonably increased the calling rates to all destinations by tenfold, therefore reducing the talktime of the cards drastically. The end users also complained that they were unaware of the increase in rates until they attempted to use the cards, as they had purchased the cards based on the old rates and talktime advertised. IDA conducted an investigation on Globe Telecom and discovered that Globe Telecom had increased the calling rates as a result of a dispute with its reseller, Nexus Affinity Pte Ltd ("Nexus"). IDA discovered that Globe Telecom had failed to ensure that accurate and current rates were advertised to the end users. IDA also discovered that Globe Telecom had failed to give its end users adequate advance notice, although Globe Telecom claimed to have published its revised rates on its website 3 days ahead of the change. As a result, end users had made purchase based on wrong price terms. The rate increase was indiscriminate, across-the-board, calculated to minimise usage of the cards sold by Nexus. The tenfold rate increase to all destinations is also well beyond the reasonable expectation of the customers when they purchased the cards. The tenfold increase would have put some of the prices beyond the face value of the cards sold, such that the cards were effectively made useless.
IDA's Determination	Based on IDA's investigation, IDA determined that Globe Telecom had breached Section 3.2.2.1 of the Code. Globe Telecom had failed to ensure that it had disclosed in advance to its end users the price terms governing the service provision:

	(a) It is the duty of Globe Telecom, as a service provider, to ensure that Nexus, its reseller, advertises the accurate calling rates to the end users. Globe Telecom is not relieved of its obligation simply by informing Nexus about the revised rates. Since it had appointed Nexus as its resale agent, regardless of any commercial dispute between Globe Telecom and Nexus, Globe Telecom must undertake the necessary measure to ensure that its reseller publishes accurate information about Globe Telecom's service to end users. (b) At point of sale, end users will rely on any advertisement or marketing material published by service provider for information on service prices, terms and conditions. However, because the advertised rates in the marketing materials were not reflective of revised rates published on Globe Telecom's website, the end user had therefore not made the purchase based on correct price terms. (c) Although Globe Telecom could rely on the terms and conditions on its website to amend the terms under which it provides services via the cards (such as the calling rates), Globe Telecom is not relieved of its obligations under Section 3.2.2.1 of the Code to inform end users in advance of its service terms (price and non-price). Based on the above facts, IDA concluded that Globe Telecom has breached Section 3.2.2.1 of the Code. By raising the calling rates tenfold and not giving the end users advance notice, Globe Telecom had in effect made the end users pay for a commercial dispute between itself and its reseller. IDA viewed this to be a serious breach which had led to serious consequences for end users who had purchased Globe Telecom's cards based on wrong pricing information. IDA further noted that Globe Telecom had a history of Code violations - Globe Telecom was found to have breached the Code in January 2003, and again in March 2004. Based on the preceding factors, IDA has decided to impose a financial penalty of **S$10,000** on Globe Telecom for breaching Section 3.2.2.1 of the Code.