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FTC Warns Hotels Against Providing Price Quotes That Lack Mandatory Taxes and Fees

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On November 28, 2012, the Federal Trade Commission (“FTC”) announced that it sent letters to 22 hotel operators warning them that their online reservation sites may violate the law by misrepresenting hotel room prices. In issuing the letters, the FTC reportedly intended to send a broad message to the travel industry that any mandatory fees should be included in the price quoted regardless of booking channel.

Among the practices criticized by the FTC are excluding resort fees from total estimated prices and listing the resort fee separate from the quoted price, either on the same page in fine print or on another webpage. The FTC stated that consumers have complained that they did not know they would be required to pay resort fees until after they arrived at the hotel. The FTC has taken the position in its warning letters that the most prominent figure on the reservation website should be the total hotel room estimate that includes the room rate, estimated taxes, and any mandatory, unavoidable fees. The letters encouraged the hotel operators to review their websites to ensure that they are not misrepresenting the total price consumers can expect to pay for their hotel room. An example of the FTC’s letter can be viewed [here](#).

The warning letters follow up on issues addressed in a conference held by the FTC in May 2012 on so-called “drip pricing” practices. The FTC describes drip pricing as a technique in which firms advertise only a part of a product’s price at the outset and then reveal other charges (such as hotel resort fees or fees for optional upgrades and add-ons) as the customer completes the buying process. Drip pricing is a practice which is not limited to the hotel industry, and the FTC has noted that drip pricing is used in other industries including online retailers, automobile dealers, financial institutions, and rental car companies. The issuance of the warning letters may signal an increased focus by the FTC on regulating drip pricing practices across industries.

The FTC’s choice of the hotel industry for its first enforcement of “drip pricing” practices may also be reflective of increased regulatory focus on price transparency in the travel, leisure and hospitality industries. Beginning in January 2012, the U.S. Department of Transportation implemented new regulations requiring airlines and ticket agents to include all mandatory taxes and fees in published airfares (see the Pillsbury Advisory [here](#)). In May 2012, the United Kingdom’s Advertising Standards Authority found that two hotel booking websites violated United Kingdom advertising codes by listing room prices that did not include value-added taxes.

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