

Uber to Pay \$20 Million to Settle FTC Case

By Sami Jarbawi, J.D. Candidate 2018 | January 31, 2017

On January 19, 2017, Uber Technologies Inc. entered into a [settlement agreement](#) with the U.S. Federal Trade Commission (FTC), whereby the San Francisco-based startup agreed to pay \$20 million dollars to its drivers. How the refunds will be distributed has yet to be determined, but the consumer-protection agency has ordered the company to work closely with its officials on the matter.

The FTC sued Uber for making deceptive claims about the potential income that drivers could earn through the firm’s ride-hailing application. The government agency also accused Uber of disseminating false, misleading and unsubstantiated claims about its auto financing program.

According to the complaint, Uber’s misrepresentations “have caused its drivers to suffer millions of dollars of injury.” While Uber agreed to settle the case, it refused to admit any wrongdoing, contesting the FTC’s methodology in calculating income figures.

The FTC offered several [examples](#) of what the agency considered false or misleading claims. While Uber’s website had stated that the 2015 median annual income for an UberX driver was \$90,000 in New York City and \$74,000 in San Francisco, the FTC found that the figures were inflated by \$29,000 and \$21,000 respectively.

The government agency also [listed](#) 18 U.S. cities where it said Uber was exaggerating drivers’ median incomes. For example, fewer than 20% of drivers in Baltimore earned Uber’s advertised hourly wage of \$16, whereas in Boston, Minneapolis and Philadelphia, less than 10 percent of drivers were successful in making the claimed hourly rate.

Additionally, the FTC contended that Uber deceived its drivers by stating that they could “own a car for a little as \$20/day” (\$140/week) through the company’s auto leasing program. However, as laid out in the complaint, the median weekly payment for Uber drivers who entered into an auto lease from November 2013 to April 2015 was more than \$200.

The program allowed drivers to rent cars and automatically pay lease installments, with deductions coming out of the driver’s weekly fares. When drivers complained about the disparity between the advertised rental prices and the actual amounts charged, the company responded with the following [message](#): “Please contact your lender to discuss your payments, accruals or amounts owed, as Uber does not keep track of this information.”

Matt Kallman, an Uber spokesperson, [welcomed](#) the settlement agreement: “We’re pleased to have reached an agreement with the FTC. We’ve made many improvements to the driver experience over the last year and will continue to focus on ensuring that Uber is the best option for anyone looking to earn money on their own schedule.”