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Credit Card Facts

INFORMATION REGARDING CREDIT CARDHOLDER RIGHTS AND PROCEDURES FOR RESOLVING DISPUTES WITH CREDIT CARD COMPANIES

CREDIT CARD FACTS FOR OLDER AMERICANS

“Pay by credit card” has been a mantra of consumer advocates since 1975, when consumers won the right to dispute charges on their credit-card bills. It is still wise advice to follow today. Paying by credit card provides greater protection than using a debit card, check, or cash because of the Fair Credit Billing Act (FCBA). This law applies to “open end” credit accounts, such as credit cards, and revolving charge accounts, which includes department store accounts. However, the Act generally does not cover some debit cards, installment contracts, such as loans or extensions of credit you repay on a fixed schedule. Consumers often buy cars, furniture and major appliances using an installment plan.

WHAT ARE YOUR CREDIT CARD RIGHTS?

There are three separate protections for credit card consumers. Each of these protections is intended to require the credit card lender to follow certain procedures when you have a problem with a credit card transaction. However, they do not require the lender to come to any particular decision regarding the transaction. Furthermore, the credit card protections do not prevent the credit card company from concluding at the end of an investigation that you are liable for a particular charge. Your actual liability for a charge will depend on either state or other federal law, or both, and the facts in your situation.

1. Unauthorized Use

The first credit card protection shields you against liability for unauthorized use of your credit card. This is when someone steals, borrows, or otherwise uses your card or your credit card number without your permission. This type of problem has become common with the increased use of credit card transactions conducted either over the phone or through the internet.

Under the FCBA, your own obligation for unauthorized use of your credit card is limited to a \$50 flat fee, if the credit card company chooses to enforce it, and many times they don't. For example, this means that if someone steals your credit card, the credit card company can charge you only a maximum fee of \$50 regardless of how much the thief has charged on your credit card.

If at any time you become aware of an unauthorized use of your credit card, you should call the credit card company immediately and make a report. If you call before unauthorized charges have incurred, then you will not even be charged the \$50 fee, since your credit card company can take steps to cancel your card and send you a new one. If an unexpected charge appears on your credit card bill for something you did not authorize, you can either call and report the unauthorized charge over the phone, or follow the procedures that are explained for you in step 2.

Note, once you report an unauthorized charge, the credit card company must conduct a “reasonable” investigation of your claim, but not an exhaustive one. Consumers must remember that credit card companies are often eager to please customers. In addition, investigations of unauthorized charges can be costly. As a result, credit card companies may elect to just simply take the unauthorized charge right off of your account.

2. Disputes on How Much You Owe

The second type of billing dispute that could arise involves how much you owe which is otherwise known as “billing errors.” These errors can occur when a merchant has either improperly overcharged your credit card or charged you for products or work you didn’t receive or that have not been performed.

The Fair Credit Billing Act provides the basis to dispute these incorrect bills. The information necessary in order to file a dispute appears on the back of your credit card statement; this also includes the mailing address that you need to use. Under the FCBA, you must file a dispute in writing within sixty (60) days of the first bill that includes the improper charge. In the letter you need to include the following information:

- Your name and account number
- The dollar amount of the dispute
- The date when the improper charge was incurred
- Name of the merchant
- State a reason for your dispute

Some examples of the reasons for dispute are:

- I did not authorize this charge (remember that here you can report an unauthorized charge by telephone or you can use the “billing error” procedures to resolve the dispute. It is up to you.)
- I did not receive the goods I ordered
- The merchant sent me the wrong goods. They were returned and I did not receive credit on my account.
- The merchant did not complete the services I contracted for or performed them incompletely.
- The merchant billed me for the wrong amount. (For example, you agreed to pay \$10 and the merchant billed for \$100).
- I cancelled the contract with the seller before the work was to be performed.
- Although I agreed to buy something from this merchant, I did not authorize them to bill my account.

To ensure proper notice and delivery to the credit card company you should send your letter by certified mail, return receipt requested, so that you have proof of what the creditor received. You should also include copies (not originals) of sales slips or any other documents that support your position. Keep a copy of your dispute letter for your records.

The credit card company must send you a letter acknowledging your complaint within 30 days after receiving it, unless the problem has been resolved. The credit card company must resolve the dispute within two billing cycles after receiving your dispute letter or within 90 days, whichever period is shorter, after receiving your letter.

WHAT HAPPENS WHEN YOUR BILL IS IN DISPUTE?

Nothing. You can withhold any disputed amounts and related charges, during the investigation. However, if the credit card company investigates and determines that no error has occurred, then you must pay the charge, even if you continue to dispute the charge. If you fail to pay the charge, the credit card company may initiate a collection action against you. So your right to withhold payment lasts only as long as it takes for the credit card company to investigate your dispute.

WILL MY CREDIT RATING BE AFFECTED?

No. The credit card company may not threaten your credit rating or report you as delinquent while your bill is in dispute. In addition, you cannot be denied credit simply because you've disputed a charge.

WHAT HAPPENS IF THE BILL YOU DISPUTED WAS DETERMINED TO BE INCORRECT BY THE CREDITOR?

If your bill contains an error, the credit card company will send a letter, within two billing cycles or 90 days, stating that a correction will be made to your account. In addition, all finance charges, late fees and any other charges relating to the error must also be removed.

If the credit card company determines that you owe at least a portion of the disputed amount, they must send you a written explanation, which shows why you owe this amount. At this time, you may make a request for any copies of documents that the credit card company has, which prove that you owe the money.

WHAT IF THE BILL YOU DISPUTED WAS DETERMINED TO BE CORRECT BY THE CREDITOR?

If the credit card company determines that the bill is correct, you must be contacted in writing as to how much you owe. The credit card company must also explain why the charge(s) are on your account. Again, you may ask for copies of any relevant documents. Now, at this point, you owe the charge, because it is no longer considered in dispute. In addition, you owe any finance charges that were levied against you while the amount was in dispute.

If you disagree with the results of the investigation you may contact the credit card company within 10 days of receipt of the letter which explains the results from the investigation. In this letter you can indicate your refusal to pay the disputed amount. At this point, the creditor can begin collection proceedings against you. However, the letter that you sent to the creditor protects you if the creditor decides to report you to the credit bureau. It forces the creditor to also include in the report that you do not believe you owe the money.

It should be noted that you could be charged for disputing an error, even if you were right, and the charge was

determined to be a “billing error.” However, credit card companies rarely impose a fee in these cases.

3. Problems with the Quality of Goods or Services

The third form of credit card dispute protection is commonly referred to as the right to stop payment. However, this third form of protection can be a bit tricky. First of all, federal law (the FCBA) does not require a refund for disputed goods or services that are of poor-quality, so the dispute procedure as for “billing errors” does not apply. This rule does not define these types of problems as “billing errors.” Goods that are not “delivered as agreed upon” or not accepted are covered under the federal law; however, poor-quality goods are not covered. The key to this step is how you frame your dispute. In order to be covered, it must be framed as a product or service that wasn’t delivered as agreed upon. But if you accepted the goods or services, even if you are satisfied with them, then you are really outside federal protection.

However, if you buy unsatisfactory goods or services with a credit card, you can take the same legal actions against the card issuer as you can take under state law against the merchant.

First of all, you need to make a real good faith effort at resolving this dispute with the merchant before you ask the credit card company to stop payment on the bill. In most cases, some type of written evidence of your good faith effort to settle the issue with the merchant is helpful.

There are two other requirements to stop payment outright. These don't apply to department store credit cards or if the merchant mailed you the advertisement for the goods or services you purchased.

- The goods or services you bought must have cost more than \$50
- You must have bought those goods and services in your home state or within 100 miles of your mailing address

You must notify the credit card company after making a good faith effort to resolve the issue with the merchant. If you have notified the credit card company that you are withholding payment, they cannot report the disputed amount as delinquent to a credit bureau until the dispute is settled or a court judgment has been issued against you. In addition, the credit card company also cannot take any action against you, unless it has completed a reasonable investigation of your claim.

WHAT HAPPENS NEXT?

Once you have filed a dispute, the credit card company is required to investigate and report back to you in writing. In many cases, the charge will be canceled. In most cases, a merchant will back off from a disputed charge rather than risk losing the privilege of accepting future business by credit card.

Interest associated with a successfully disputed debt must also be cancelled. Until the dispute is resolved, you do not need to pay the disputed portion of your bill. However, you must make a payment to cover any undisputed amount.

HOW TO ENFORCE YOUR CREDIT CARD DISPUTE RIGHTS

In most cases, credit card disputes will be resolved after you contact the credit card company. However, if the company does not respond to your dispute or you are not satisfied with the results, there are steps you can take beyond raising your complaint to the company.

Complaint to the Office of the Comptroller of Currency (OCC)

Most credit card companies are national banks, which are regulated by a federal agency called the Office of the Comptroller of Currency. The (OCC) has a division that assists consumers. You can [file a complaint](#) with the (OCC) at the following address:

Office of the Comptroller of Currency
Customer Assistance Group
1301 McKinney Street
Suite 3450
Houston, TX 77010
Fax: 7130336-4301
[OCC Website](#)

Sue the Credit Card Company or Take them to Arbitration

Under the Federal law consumers can sue the credit card company if:

1. The credit card company did not follow the dispute procedures discussed above or;
2. The credit card company took some action forbidden by law.

However, in most cases your right to sue will be excluded by mandatory arbitration provisions. Most of these provisions were included in your contract, when you signed up for the credit card. If you decided to either sue the credit card company or arbitrate your claim, you should consult with your attorney first.

WHAT DEFENSES DO YOU HAVE IF YOU ARE BEING SUED BY THE CREDIT CARD COMPANY?

If you do not pay the disputed amount, the credit card company may sue you to recover the monetary damages. You can always raise an unauthorized use claim, billing error dispute, or a claim over unsatisfactory goods or services as a defense when you are sued.