

Testimony of

Consumer Action

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“Industry Practices of Credit Card Issuers”

Before The

Senate Committee on Banking, Housing and Urban Affairs

The Honorable Richard Shelby, Chairman

May 17, 2005

ANTI-CONSUMER PRACTICES FOUND IN CONSUMER ACTION'S ANNUAL CREDIT CARD SURVEYS AND CONSUMER COMPLAINTS

Consumer Action (www.consumer-action.org), founded in 1971, is a San Francisco based nonprofit education and advocacy organization with offices in Los Angeles and Washington, DC. For more than two decades, Consumer Action has taken an annual in-depth look at credit card rates and charges to track trends in the industry and assist consumers in comparing cards. Our 2004 survey included 140 cards from 45 companies, including the top ten issuers. We are currently conducting our 2005 survey and can share a few preliminary findings with you today.

Consumer Action also accepts complaints from consumers nationwide via phone, post and e-mail in English, Spanish, Cantonese and Mandarin. For nine years, complaints about unfair credit card practices have topped our list of all complaint categories. In 2004, 38% of the complaints we received were about credit cards.

For our annual credit card survey we call companies' toll-free numbers as consumers. This gives us insight into what people face when they shop for credit. The principal focus of our studies is the ability of consumers to obtain clear and complete facts about credit card rates and charges – before they apply for credit.

Our experience is that obtaining accurate information from credit card companies is frequently exasperating and difficult, and the answers are often lacking in key details about conditions, especially those relating to fees and other costs, and to the circumstances that trigger universal default rules. Representatives often are unable to provide even the basic facts required by the Credit Card Disclosure Act.

Hard to find terms and conditions:

There is no place for potential customers to find accurate information. Credit card companies have call center staff to serve existing customers and separate personnel to

take applications from potential customers. Non-customers are blocked from calling customer service because you need an account number to get through. Application personnel can't provide accurate information about terms and conditions. This leaves potential customers in danger of applying for a card that at best doesn't suit them and at worse, contains predatory terms and conditions.

High-pressure sales:

Application lines are staffed by salespeople who attempt to pressure callers to apply for a card without providing substantive information. This means applicants often apply for cards with no concrete knowledge about the terms and conditions.

Outrageous anti-consumer practices:

Penalty rates and universal default, often cited as a way for companies to manage risk, top the list of unfair practices.

- *Penalty rates are much higher interest rates triggered when you pay your credit card bill late even one time.*

- *Universal default rate hikes are imposed by credit card companies based on the way customers handle other credit accounts.*

What we find outrageous in both instances is that companies claim that they are merely using risk based pricing when they increase the interest rate. We challenge the industry to explain how taking out a new car loan or having a credit card payment arrive one day late makes a customer so much more risky that a doubling or tripling of the interest rate is justified. If this is really risk-based pricing, why do companies have a standardized default rate instead of one that reflects the actual added risk? There is no way that a credit card payment coming in one day late creates as much risk for a credit card company as foreclosure on a car loan.

Does it make any sense to increase the interest rate of customers who are having a hard time with their debt load? No. The real purpose of these policies is to maximize revenue at the expense of those who are least able to afford it.

Universal default:

An increasing number of issuers use universal default policies to hike interest rates based on the way customers handle other credit. Consumer Action's 2004 survey found that 44% of the surveyed banks use this information to identify so-called risky cardholders and raise their interest rates, even if they have never made a late payment.

Consumer Action found penalty rates as high as 29.99% in 2004, at a time when the Prime Rate was at 4%. Preliminary data from our 2005 survey shows penalty rates as high as 35%. Consumers who have contacted Consumer Action have reported being hit by default rates that were double and triple their old rates. Credit card companies say they must protect themselves against risky customers, but do they have to resort to usury to do it?

In November, a Bastrop, TX woman complained to Consumer Action about a universal default rate hike: "AT&T Universal card just raised our interest rate from 12.9% to a whopping 28.74% because of a late payment they found listed in my husband's credit report to another credit card company (payments to AT&T have been on time). This will make it impossible for my husband and I to pay off this card with a \$11,700 balance. Is this legal? AT&T says it is not up for discussion."

When you're turned down for credit, the law requires that you receive a letter explaining why. But if you are hit with a universal default hike, you don't learn about it until your next statement arrives. And even then, all you learn is your new higher rate. You are not told about the specifics that caused the hike.

Note: Thirty-nine examples of recent consumer complaints about universal default received by Consumer Action are attached to this testimony.

Penalty rates:

Late payments result in higher penalty rates with 85% of the issuers we surveyed in 2004. Consumer Action found average penalty rates of 22.91%—1.38 percentage points higher than the 2003 averages. Of these issuers, 31% said a penalty rate could be triggered by just one late payment.

In January, a Topeka, KS housepainter complained to Consumer Action that Chase had "raised our interest rate to 27.24% from 9%. They said we had two over 30-day past due payments in the last year. I asked them when and they gave me two months, one time we were 2 days late and the other 7 days late, but they said the due date starts from the time the statement is printed. I told them, How can that be, when we haven't even received the bill? I told them we were going through hardships, with me being laid off and my wife and I going through a miscarriage. I can't work outside the union or I would lose our health insurance. We have had a Chase card for 10 years and never had a problem before. Our payment due is \$217 and the finance charge is \$216.65. Needless to say, we cannot get anywhere with this debt."

Late fees:

In 1995 Consumer Action found an average late fee of \$13, with no company charging more than \$18. In 2004, the average was \$27.45, with three major banks charging \$39 late fees at certain balance levels. With average monthly minimum payments at 2% of the balance, the late fee on a \$2,000 balance would be double the minimum payment. This is outrageously excessive.

An Indianapolis, IN woman who complained to us in February was assessed a late fee by MBNA even when she paid early. "I paid my credit card bill early, and as I paid before the 'closing date' it was not credited towards the 'payment due date,' and I incurred a late fee. Here's an example: Monthly cycle from 12/04/04-01/04/05; 'Closing date' = 01/04/05; 'Payment due date' = 01/28/05. Any payments made early, from 12/04/04-01/04/05 are not considered payments towards the 01/28/05 payment due date. Only

payments from 01/05/05-01/28/05 are considered payments for the cycle of 12/04/04-01/04/05. Thus a 'late fee' can be assessed even if payment was made early."

In 2003, Consumer Action first noted tiered late fees tied to the balance amount. On a percentage basis, this penalizes people with smaller balances more than those with greater exposure. The number of issuers employing the practice jumped from 20% in 2003 to 48% in 2004. Tiered late fees are a deceptive way of charging higher-than-average late fees to cardholders with lower balances.

Due dates:

These days, most issuers require that your payment arrive before a certain hour on the due date or you'll be charged to a late fee. Our 2004 survey found that 58% of surveyed banks had a cut-off time on the due date. If you are even five minutes past this cut off time, it can cost you up to \$39 even though your payment arrives on the actual due date.

A Massachusetts man contacted Consumer Action in January to complain about a rate hike: "My wife just called me to let me know that Bank One, one of the credit card companies we use, just raised our introductory rate of 0% to 10.24%. When my wife called to find out why, they told her that the last payment was posted two days late. The bill with the payment was mailed 7 days before the due date from Massachusetts to Delaware."

Even people who try to make timely payments will be hit with a late fee if their payment was delayed in the mail. We hear from many consumers who allowed seven days to post a payment, yet still the bank assessed a late fee. Banks should consider postmarks when posting payments. If the Internal Revenue Service can do it, why can't credit card issuers?

Over limit fees:

Contrary to what many people believe, a purchase that takes you over your credit limit will not necessarily be denied. Instead, you'll be stuck with an over limit fee, which can be assessed every month until your balance is under the limit. The industry should either

deny charges that go above the credit limit or not charge a fee. If they are going to accept charges over the credit limit they should be happy just with the added interest and be forbidden from adding on fees.

A Framingham, MA woman wrote this to Consumer Action last year: "I can understand a credit card company adding a late fee but what I have a serious problem with is when the late fee puts you over the limit and they then add on an over limit fee. This is a vicious cycle that is hard to stop. Once you have gone over the limit, unless you have enough money to get it down, what can a consumer do? The over limit fees keep adding up thus causing everything to go up, interest, etc. Is it really legal for them to charge you an over limit fee when their late fee actually put you over the limit? This really needs to be addressed."

Deceptive interest rates quotes:

The annual percentage rate (APR) is one of the most basic facts that must be disclosed in advance to credit card applicants under the Truth-in-Lending Act. But since 1999 Consumer Action has found that an increasing number of banks fail to quote a firm APR, and instead provide a meaningless range of rates. This practice defies federal credit card disclosure provisions and prevents consumers from comparing cards. In 1999, only 14% of banks failed to quote a firm APR. By 2004, the percentage had more than tripled to 51%.

Cash advances:

The charges for credit card cash advances have escalated dramatically in the last decade. In 1995, average charges were 2.2% of the amount advanced, with an average maximum limit on the fee of \$17. By 2004, the average fee had jumped to 3%—a 36% increase, and the average maximum to \$30.62, up 80%. More disturbingly, in 2004 only 17% of surveyed issuers limited consumers' costs by capping the fee.

This is a "follow the leader" industry. When one issuer steps out with a new anti-consumer practice, other banks are quick to follow. Having watched closely as these

changes in credit card lending have transpired, Consumer Action concludes that the industry is in the process of fundamentally redefining its business model to shift the risk of lending from itself to unwitting customers.

I thank you for your diligence in investigating credit card industry practices and I urge you to support legislation to prevent credit card banks from preying on consumers.

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**RECENT COMPLAINTS ABOUT UNIVERSAL DEFAULT RATE HIKES
RECEIVED BY CONSUMER ACTION**

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(Mesa, AZ) My complaint is in reference to Chase Bank. I'll go back about two years. I had a \$4,500.00 Visa with Providian and suddenly I'm told that Chase Bank was buying my account. I had never been late or gone over limit with Providian. My rate at that time was 15.99% APR. The rate stayed the same with Chase, so I didn't think much about it. Much like when my mortgage had been bought by another company. Now I look at my statement with Chase and notice that my interest rate is 26.97% APR. When I went back through my statements I could see a gradual increase over the past 2 years. I called Chase and they stated that according to my credit report, I have some problems with another credit card company. This is why they raised my rates. I stated that I had never been late and had never gone over my limit with Chase and why should my problems with another company have any bearing on my account with Chase? The representative for Chase apologized but said that that was their policy. I was never notified (yes, I could have looked at my APR rate every month, but I didn't). To put a larger financial burden on me because of my dealings with another company is ludicrous at best. I find it hard to believe that this can happen with no recourse for the consumer.

(Vallejo, CA) Providian increased my card's APR without cause. The first telephone rep. I spoke with said it was because I was delinquent in Sept. When I pointed out that my account had been zero balance since April & that my latest statement is not due until Oct. 10, she changed her reasoning. Suddenly it was because I was delinquent at another institution which affected my credit with them. How could she know I'm delinquent when I don't even know? I asked for the supervisor and she hung up. The second person I spoke with said they sent me a Notice of Change in August. I did not receive it, so I asked for a copy. I also asked what reason did they have in the notice for increasing my APR. This person said they do not have to give any reason (I do not have to be delinquent or anything) for them to change anything in my account. All they have to do is send me a notice. I wrote to Providian and again they were claiming they sent me a Notice of Change. They still have not sent me a copy. I have closed the account. Wanted resolution: Inform other consumers of Providian's dirty business. Tell other consumers to always check their statements.

(Bastrop, TX) AT&T Universal card just raised our interest rate from 12.9% to a whopping 28.74% because of a late payment they found listed in my husband's credit report to another credit card company (payments to AT&T have been on time). This will make it impossible for my husband and I to pay off this card (\$11,700 balance). Is this legal? What can I do? AT&T says it is not up for discussion.

(Evansville, IN) Just saw your report on CBS evening news. MBNA did the exact same thing to me. They upped my card rate from 5.99 to 19.99%. I have never been late on

ANYTHING. They said it was due to my credit ratio. Too high balance on my cards. Can you help please!

(Tallahassee, FL) On 7/16/04 I logged into my MBNA account via the Internet intending to make an unscheduled payment. Upon logging into my account I immediately noticed I was over my limit and then, upon inspecting my statement, noticed my APR had been increased from 11.99% to 19.98%. I quickly called MBNA customer service, unaware that my rate could be raised for exceeding the limit. I was aware it could be increased for making consecutive late payments, which I've never done, but not for exceeding the limit. I first spoke with a woman named 'Terri' who transferred me to someone named 'Sam' after listening to my situation. 'Sam' got on the phone and identified himself, I believe, as a senior account manager. He gathered some information from me (household income, employer, years on the job, etc.) and put me on hold. I was on hold for approx. 5 minutes when he returned and began explaining that my interest rate had been raised because my account had come to resemble a "long-term loan". He went on to tell me "credit cards are to be used then paid off". I found this statement particularly perplexing since he would be unemployed if that's what all of their customers did. He told me MBNA had the right to raise my rate at any time and that I was informed of this in writing on my April statement. I told him repeatedly I always discard my paper statement because I pay my bill online. He had no response to this. I contacted the Better Business Bureau and after MBNA heard from them I was contacted by MBNA "Customer Advocate" Kimberly A. Wright. She informed me they would lower my rate from 19.99% to 15.99% but that they would not return my account APR to 11.99%. She then stated that anything lower was non-negotiable. In summary, my payments are never late and my interest rate was raised w/o adequate notice. Additionally, when my balance was approaching \$3000 (a previous limit) my limit was raised to \$3500 & my APR remained unchanged. The same thing occurred when my balance approached the \$3500 limit (raised limit to \$4000, APR unchanged). Then today, 11/21/04, after all that, I discovered my available credit has been raised yet again to \$4500.

(Gray, GA) My visa credit card thru MBNA bank keeps increasing my interest rate. I pay them on time and have been a loyal customer since 1983. I have spoken to them several times, attempting to stop this practice. My interest rates have gone from 14% to 26%. They have also informed me that they will continue to raise my rates even if I cancel the card. Please help me resolve this problem.

(Carlsbad, NM) We have been a good MBNA customer for several years. Over 6 months ago we received notice that our interest rate would go from very low (7.9% as I recall) to 17.99%, then 19%, and now to the current 20.74%. As a result the monthly finance charge has risen astronomically. Calls to MBNA were met with a matter-of-fact attitude that there was nothing that could be done. Interestingly, we have another account with the same company at 9.9% and that rate has never changed. We feel the interest rate should be returned to its original level.

(Lovington, NM) MBNA lured me with a low rate and continued increases in credit limits before jumping my rate from 5.99% to 16.99%. They have refused to refinance my

card or negotiate a better rate. I have not been late with them and I can recall being late once with another bill during my move from Michigan to New Mexico.

(Elkhart, IN) I am a "good" customer who never paid my MBNA Credit Card payment late. However, I was told that I carried my \$7500.00 credit card balance too long. The Gentleman at MBNA told me when they gave me the 0% interest rate it was expected that I pay it off in a timely manner and I was using the credit card as a long term loan. Therefore my interest rate was bumped to 19.98%. I thought I was stuck and there was not way out. What can I do?

(Vergne, TN) My rate was at 7.99% fixed and I paid all my bills on time (never late), however, MBNA increase my fixed rate to 20.99%. I would like my rate back to 7.99%. Please advise and Thank you.

(San Diego, CA) This is probably one of many against MBNA Credit Cards. After using the card at 7.9%, MBNA raised my rate to 17%. More than the minimum payments were made each month. And, parts of the debt were still under introductory rates of 0% - 4.7%. Their explanation was, they had sent me opt-out-notices.

(Newport, NC) I applied for a credit card two years ago with Juniper. Received a card with a 10% interest rate. Have been paying my bill every month without ever being late. A week ago I get a letter saying my interest rate has gone to 22%. Now I'm faced with a huge monthly payment and only \$10 being paid on principal. Need to know what I can do.

(Manalapan, NJ) I received a letter from Merrick Bank stating they were raising my rate from 16% to 24.70% for purchases and 29.70% for cash advances starting Jan.1 for my account. Not for future purchases if I chose to use the card but for my balance on the card. I have had this card for a couple of years and have always paid on time. If I had \$2,000 I'd pay the card off but I don't. This rate is crazy and unfair because they only want to make a huge profit on me. I heard on 880 WCBS radio that you have helped other people that were in the same situation that I am currently in and I'd appreciate if you could also help me. The solution for me would be if they were to leave the APR alone or lower it (not raise it).

(Caputa, SD) My credit card APR went from about 10% to 25%. I was never late and never over the limit. Good history with them. Just made minimum payments then the sudden increase. I called them only to be told they reserve the right to do this. I assume Household has done this to many others. Are you familiar with this issue? Can you help me get it reduced?

(Fort Collins, CO) I have a Chase Platinum Visa card since 1989. Have always paid on time, no late or missed. In June of 04 my interest rate was 6.49%. I noticed on my last statement it was over 14%. Called and was told that it was put on prime plus as I failed to respond to an opt-out they sent me in May or June. They say I cannot get this rate back no matter what my credit rating is - which is very, very good - or what my history with

the card is. This seems only like an arbitrary way to up interest charges on the good low interest customers to raise their revenues. My balance is only 3700 dollars.

(Cupertino, CA) I telephoned MNBA customer service when they first doubled my Visa card rate to 19.99%, but they only pumped me for lots of very detailed financial information and did not reduce the rate. MNBA is killing me with loan shark interest on my Visa card balance. I have never made a late payment on the MNBA Visa card - nor ANYTHING else. This should certainly be criminal, but their lobbyists made the laws. Our family is just making ends meet from my wife's minimal income. I am starting a new company and have no income. The MNBA Visa card is solely in my name. I can not substantially pay off the balance, and don't believe that I can transfer the balance to other credit cards. What can I do? I'd like to join a class action lawsuit against the evil MNBA, and I should write my state and federal Congressional representatives toward getting new (old usury) legislation to stop the activities of the real criminals who steal our money (the same elected representatives who were party to evil ABA laws being put through). My priority is to stop paying these criminals the 26.49% interest on my balance ASAP. At least, I would like for the interest rate to be reduced back to the previous 9.99% rate. Beyond that, it would be appropriate for MNBA to reduce my balance by the amount of additional interest to date from when they initially started jacking the rate. I'd like to do anything else I can do towards having huge federal and state fines imposed on MNBA for this activity.

(Benicia, CA) I've contacted MBNA by phone (and will now write a letter) and was told that even though my credit was good, because of the amount of credit I have outstanding, that I was considered a risk, therefore, the rates were scheduled to go up a long time ago and I should feel good that they didn't raise them earlier. I have owned the MBNA credit card since 1993, and have always paid my bill on time. They have consistently raised my credit limit and now have it at \$25,000. I had not made a new charge on the card for well over a year, when I had an unexpected auto repair that was around \$2,000. So because I had been given a high credit limit on my MBNA card, I chose to use it for this repair. The very next month's bill showed the charge and also, without notice, they had raised my interest rate from 10.99% to 19.98%. I did not notice this change on the first billing cycle, but on the next billing, I called the customer service number to complain and request that I be returned to the previous rate. The company representative would not change it, nor even wanted any negotiation about the new rate, and said that it would not change back or be lowered.

(Columbus, OH) [He] has had an account with Chase for over 20 years. They raised APR to 24% because of late payments but he claims to never have been late.

(Santa Monica, CA) They changed the interest rate on my credit card about 10% higher for no reason. I had no late payments on any of my credit cards ever. They said I had a high balance in other credit card debt.

(Florida) His Jupiter credit card APR was raised from 8% to 24%. He has other credit cards and a perfect payment history, including the Juniper card. The company claims they

sent him a letter for "income verification" and since they never got it back, they had to hike the rate. He says he never received this letter. He cancelled his Juniper card and transferred the balance but wants to know if he can recover any of the money they essentially "stole" from him.

(Redondo Beach, CA) Initially received this Bank One credit card 7 years ago. Had an 8.9% APR. The Bank increased my credit line to \$32K over the years. In 2002, lost my job and used my available credit to support my family, eventually spending up to 95% of the available credit. Earlier this year an incorrect negative item appeared on my Experian report. Within a month, I had this erroneous item removed from Experian. Unfortunately, Bank One got the credit update from Experian before it was removed. My APR went from 8.9% to 19.99% In September, 2004 a check I wrote to pay my Bank One bill was returned by my Credit Union because the out-of-state payroll check that I had deposited to cover my Bank One payment was put on a 7-day hold. I knew this before Bank One did and called them to let them know and made an electronic payment to cover my payment (well before the due date!). I have NEVER been late on any of my revolving credit payments to ANY of my creditors. But now Bank One has raised my APR to 25.74% and I just got notice that with Chase buying Bank One, my new rate will be 28.99% as of Jan. 1st, 2005. I NEED HELP. Please advise. Having this Bank credit card go from 8.9% to 28.9% in one year is criminal. What can I do about this?

(Belchertown, MA) I'm seeking advice on a credit card rate hike issue please. First off, I am an informed & responsible consumer and I am well aware of the terms & conditions that accompany low-rate credit cards. Still, it was a surprise to me to receive notice that the 7.9% interest rate on my Bank One Visa was being raised to 23.74% effective in February. The bank's explanation was that my ratio of balances to available credit was too high. As of last July, I had a FICO Score of 753 with a flawless 30-year credit history. I have never been late on a single payment - ever - and I have no blemishes of any kind on my payment record. Last month I took out a new car loan for \$12,000 to replace my ailing 9-year-old Plymouth. Ironically, also last month, I transferred a higher interest \$500 balance to the Bank One account in question by taking advantage of one of their ".99% for the life of the loan" offers. The existing balance on the Bank One account was also a balance transfer from about 2 years ago. I have used the card for no other transactions since I received it. I suspect it was also a guaranteed fixed rate because I wouldn't have accepted it otherwise, however I seem to have kept no record of it. In all fairness, Bank One has explained that I may close the account or opt-out of the rate increase and pay off the balance at the old rate. However, that's not the issue. The issue is that Bank One is acting prematurely and presumptively in raising my interest rate 300%, and that is extremely dangerous and vulnerable territory for the consumer. While there are no doubt clauses that make this all legal, I would like to pursue this matter with any and all parties who may be able to help implement change in banking practices. I welcome your advice.

(Los Angeles, CA) Consumer suffered a severe dog bite 2 1/2 years ago, lost her job, her face had to be reconstructed, and she had to live off her credit cards. Chase rep gave her

verbal promises that if she closed the account the APR would remain at 9%, but it was subsequently raised to 24%. Chase's justification: her debt load exceeds her income.

(Old Forge, PA) I have a Fleet credit card which I used to make a balance transfer a few years ago at a great 4.9% interest rate for the LIFE of the balance. I just received last month's bill & they have now raised my rate from 4.9% to 20.5% & I have NEVER made a late payment. When I called & spoke to an account manager she said the decision was based on a trans union report of: too many inquiries into my credit (the majority of the inquiries were done by Fleet), Too many new accounts (I lost my Citibank card & had it replaced & purchased a new car) & increased spending on credit (I was using my American Express for baby merchandise) & I was told there is NOTHING I can do about it. I don't understand how they can raise the rate so drastically without my paying late or notifying me. Now I fear that ALL of my cards will be doing the same thing & I WON'T be able to pay them. I don't even know where to turn. I just wanted to continue paying the card as I have been at a decent rate of interest.

(San Jose, CA) I'm not sure if I'm complaining to the right folks, but my problem is my credit card company (Bank One), changed my APR from 14% to 29% in a month's time. I've always made my payments on time so I have no clue how this could be fair.

(Richmond, CA) Her Chase credit card rate was 12% and was raised to 24%. She never was late with Chase. She has a \$7,000 balance and doesn't know how she can pay it off at the higher interest rate.

(Tehachapi, CA) She has had a Citi card for 23 years, never once missing a payment. Her rate went from 7% to 10.27% to 11.24% over 2 months. She keeps a balance of \$8500 on the card. Does she have legal recourse?

(Carlos, CA) My wife has a VISA Credit Card since 1995, originally issued by FIRST USA BANK, it became BANK ONE by mid 2003. Current balance is about \$20,000.00. APR was 12.74%, suddenly without any warning BANK ONE changed it to 29.24%. My wife's credit is very good, credit score is over 700. She has no late payments, no late fees, no delinquent accounts at all. The APR increase looks to us as an abusive act from BANK ONE. Is there anything we can do? We spoke with Bank One and they offer no option, just take it and pay it.

(San Carlos, CA) Providian was charging me 16.99% and from out of nowhere they raised it to 29.99% and I had never been late and paid more then the min. I have been paying this for the last couple of years I have called them a couple of times and they as much told me tough sh**! Is what they're doing legal? Any help you can give me would be appreciated cause I feel like I've been robbed the last couple of years.

(Burlingame, CA) In mid 2004, I contacted Bank One asking why my interest rates were at the highest percentage (24.9%). I told the rep that I had no late or missed payments. The rep told me that I had too many bank cards with high balances. I asked her what I could do and she said two of the bank cards were now owned by Bank One, and that if I

consolidated those two cards, I could get my percentage rate lowered to 12.9%. Of course I did that, as well as pay off one of my other bank cards. The interest rate was lowered by Bank One. Yesterday I opened my statement and found that interest rate had gone up to 14.49%. I called Bank One and asked why the rate had increased. The rep told me that I had too many high balances on my bank cards. I advised the rep what transpired back in 2004, and that my Bank One balance was now \$5000 less than in 2004, and I only had two other bank cards. She told me there was nothing she could do, that I needed to pay off my cards. My credit report from all 3 reporting agencies show no late or missed payments. In fact both of the bank cards recently raised my credit limits without asking me. It seems that Bank one raised my interest rate for no valid reason, and that the other two cards will follow the same because of Bank One's action. I just saw a report on our local TV station, KPIX, that said you were able to get the interest rate for another consumer back down for this type of practice. Can you help me as well?

(Rochester Hills, MI) Her Bank One card changed her rate from 8.9% to 29.5%. The bank said her debt to open credit ratio was too high. Is this legal?

(Boxford, MA) Starting with the billing period 01/03/05-02/03/05, the interest on my Visa card doubled (from 14.99% to 29.24%). My current balance is \$7,333.48. I have never been late with a payment. I wrote to Bank One requesting that the interest rate be lowered to 14.99% and that the increased interest charges that I have paid be credited to the account. Lindsay Filson from Bank One 800-436-7937 replied in a letter dated 2/28/05 that on 11/01/04 I was mailed a "change in terms" notice that said I had to close the account to keep the lower interest rate (opt out) by a certain date. Naturally, I never saw this provision. If I had been aware of the impending change, I would have closed the account. The only item charged on this card since 11/01/04 is an automatic monthly AOL service charge of \$23.90. An acceptable solution would be to revert back to the 14.99% interest rate and obtain a credit for the additional interest payments I am making at the doubled interest rate. Thank you.

(Dunlap, CA) We received a Bank One visa card under the auspices of National Geographic magazine a couple years ago. For the first year, the percentage rate was 0. Then it went to 9%, and then 12% last year. With the merger with Chase/JP Morgan, our rate has suddenly risen to nearly 30%! This DOUBLES our monthly payment, even though we have never missed a payment, or been late. We just received a letter back from Bank One on our complaint yesterday. They say they sent out a notice that we could "opt out", and we didn't send it back (and now it's too late). We never saw it, and what kind of option is that? Pay off the total balance on your card or we're going to double your rate? If they did this to us, I'm sure they're doing it to plenty of other National Geographic customers. I just sent a complaint to the magazine. Bank One recently lost a large class action suit in Illinois over just such tactics. It is outrageous and extortionary. From the research I have done, it seems to be an epidemic with banks right now. An acceptable resolution would be a return to the 12% rate.

(Houston, TX) I have always paid this credit card on time. I have another credit card (Chase) that I allowed my mother to use when she got into some financial difficulties.

She recently was unable to pay even the minimum on the Chase card. She didn't tell me, out of embarrassment, that she was not paying on the card. When I was finally informed of the issues on the Chase card I started to get it caught up immediately. This month Bank One raised my interest rate from 9% to 29%, because of the recent negative activity on my credit report. I have almost \$5000 on the Bank One card and I cannot just pay it off. If this type of practice is not illegal it should be! I think Bank One should put the interest rate back at 9% and credit back any additional charges I incurred as a result of the rate increase. Thanks in advance for your help.

(St Louis, MO) Bank One was a credit card solicited on the property of Six Flags, I applied for one and was approved. Last fall, it was announced that Chase bought them, the interest rates were reasonable on the card, I received my Feb 2005 statement and the interest rate went from 11.9% on my Jan 2005 statement to 29.49%, Outraged, I called and was told that they ran a credit check in December 2004 and my balances were close to my limits on my cards and that was why it was raised. I have NO late payments on anything in my credit. I don't know who to contact, Six Flags for one to let them know the predatory practices of this fraudulent bank. Any help would be appreciated, as I am sure that I'm not the only person they are scamming.

(New York, NY) I have about 6 credit cards and they all have credit amounts of \$5000 or less. I pay on time every month on every one. I am close to being at the maximum with all of them soon, but I am not over any limits and I continue to pay them all in time. A couple of them raised my interest rate from 7.99 to 27.49% and then some. When I called to find out why, they said that they reviewed my credit score and saw that I have a lot of high balances, so they raised my interest rates. I found out that this is allowed by law, but I asked many friends and colleagues if this has ever happened to them and absolutely NO non-Latino had even heard of such a thing! Do you think they are targeting Latino consumers?

(Oakridge, TN) I've had a MasterCard with Bank One for approximately 8 years and over that time I have been lured into writing checks for 5.99%, 4.99%, 2.99%, etc. My overall effective rate on unpaid balances ran approximately 8% on a debt that grew to approximately \$34,000. At the time, I didn't consider the debt a big problem because my investments were making better than 15%. Each of the checks that I wrote with Bank One included the terms "until the loan is paid in full," and Bank One honored those terms. Then, a couple of months ago, Bank One apparently merged with Chase and on my last statement, all the various interest rates that collectively made up my 8% had suddenly been increased to 26.74%, an 18% increase! This of course added about \$500 interest to my monthly bill. I called the Chase customer service department and the first person told me the change in the rate was due to the merger. I asked what about the contract that was written on the Bank One checks, and she said that Chase reserved the right to raise my interest rate if my credit score was not excellent. The next person told me that my last monthly payment had been received 1 day late and therefore Chase had legal right to raise my interest rate. I can't dispute that they received my payment late because I was obviously not on the receiving end of the payment, but I do know this... I have paid faithfully on time for 8 years to Bank One and now to do this to me after being 1 day late

is nothing short of Mafia behavior by Chase. Legal or whatever, it's simply unethical and I'm sure it is the exact thing that gets many innocent consumers into debt problems. As for resolution, I can't get anyone from Chase to give me anything other than a form letter.

(Texas) What recourse does a consumer have when credit card companies jack up your interest rate to loan sharking levels? We live in the state of Texas, and we have never been delinquent on our credit card payments, or any other payment. Because one payment was received 3 days late, our credit card companies have increased our interest rate to 29.94%. We have tried contacting them and requesting a reasonable rate, but they will not budge. They tell us they are legally allowed to raise our rate, if any payments that we have made to anything have been late. We have been paying more than the minimum, and working to pay down our debt. However, the new interest rate on our cards means that we are never going to pay this debt off. What can we do to return our interest rate to a feasible level? Do we have any recourse against these banks at all?

(Woodbury, NJ) I have a closed account with AAA Financial Services through MBNA. I have a \$7,900.00 balance with an 11.99% interest rate. I have been paying the minimum balance. I have been 2 days late in the past 6 months. Without warning I get my new bill and they more than doubled my interest rate to 25.49%. I called the company and was told because my balance has been so high they must raise my interest rate. I question if they wanted my balance brought down, why would they raise my interest rate. I insisted on to speaking with a supervisor. The person I was speaking to hung up on me. Can they just more than double my interest rate even though I have been paying my monthly payments?

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