

# consumer action

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## ***New survey shows consumers benefit from CARD Act***

*Consumer Action's hotline sees nosedive in consumer credit card complaints*

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*Feb 22, 2013* — Consumers still have grievances with credit card companies—but not like they did before the Credit Card Responsibility, Accountability and Disclosure (CARD) Act. Before the 2009 law went into effect, credit card problems took top billing in Consumer Action's complaint hotline. Since then, credit card complaints have plummeted from 12% in 2009 to 4% in 2010.

"Credit card complaints don't even make an appearance any more in our Top Ten list of consumer complaints," said Linda Sherry, Consumer Action's director of national priorities. "The CARD Act banned the biggest and most blatantly unfair 'gotcha's like retroactive interest rate hikes and repeated and exorbitant penalty fees. The CARD Act is a legislative success story, with few, if any, unintended consequences for the card market."

In January, Consumer Action surveyed<sup>1</sup> cardholders online to learn what impact the CARD Act has had. Overall, respondents reported that credit card companies are treating them the same or better than before the law and that the disclosures mandated by the law have helped them take action to avoid credit card debt. A PDF of survey results can be downloaded at: [www.consumer-action.org/downloads/press/CARD\\_Act\\_Survey\\_2013.pdf](http://www.consumer-action.org/downloads/press/CARD_Act_Survey_2013.pdf)

### **Minimum payment warning**

Nearly half (45%) of consumers surveyed said that they pay more every month because of the minimum payment warning on their monthly statements, while 26% said the warning has had no impact on their payment behavior. The CARD Act's required minimum payment warning on credit card statements alerts consumers as to how much

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<sup>1</sup> Consumer Action asked consumers to answer 22 questions and explain what differences they have noticed since the CARD Act took effect. 706 consumers participated in the survey, although all consumers did not respond to every question.

it will cost and how long it will take to pay off the balance when they pay only the minimum.

Nearly half of consumers (48%) reported that their monthly statements or online communications from card issuers had improved in the last two years, while 41% said they remained the same.

### **Customer service and corrections**

A quarter (26%) of respondents said that customer service and phone communications had improved since the law took effect. Just under 60% believed that service had stayed the same, and 15% thought it had gotten worse.

Fifteen percent of consumers reported that card issuers have treated them more fairly since the law's implementation. Three-quarters (75.4%) felt they were treated the same as before the law, and 9% said they've been treated less fairly.

### **Interest rate increases**

About a quarter (23%) of consumers surveyed reported that interest rates on their card had risen in 2011 or 2012. Of these, about 17% said that their rate rose because they paid the bill late. One fifth said their rate went up because an introductory rate expired.

About half of the consumers who said their rates rose, most frequently responded that they did not know (or were not given a reason) why the rate increased. Other reasons provided for rate increases were disputes over a payment, ID theft repercussions, increased costs, and infrequent card use. In open-ended responses, some cardholders complained of unexpected credit line decreases and account closures.

### **Qualifying for credit**

While more than half (53%) of respondents who had applied for credit in 2011 or 2012 told Consumer Action that they received a new card, 37% said it is harder to qualify for credit. A quarter (23%) believed that the ease or difficulty of obtaining credit has remained the same, while 29% said they didn't know.

### **Unfair and deceptive acts or practices**

While credit card complaints to Consumer Action's hotline have diminished significantly, consumers continue to report problems that they consider unfair or deceptive.

Survey participants complained that some issuers unexpectedly closed their accounts even when they paid on time and paid more than the minimum required, and that the closures damaged their credit scores. Long-term customers who went through financially difficult periods told us that issuers were unwilling to reduce rates when asked.

One survey participant wrote, “I have pleaded with [the issuer] to lower my APR down from 20.9%. I have been a cardholder with them over 20 years and always in good standing with them and all my accounts. At 20.9%, it is extremely hard to pay down the card. They just won't work with you.”

Numerous consumers mentioned how issuers had raised rates when cardholders paid on time and even when they paid more than the minimum required. Other consumers highlighted unfair cardholder agreements: The “last line of the contract stills says they can change anything for any reason anytime—that is not a contract.”

Consumer Action submitted its survey results to the Consumer Financial Protection Bureau (CFPB) in response to the federal watchdog’s request for feedback on the CARD Act’s impact. While many card practices have improved, Consumer Action recommends that the CFPB strengthen the credit card law to make it even more effective.

**Reasonable and proportional rates:** Apply the same “reasonable and proportional” standard to rates as is now required of credit card fees.

**Reevaluation exams:** Use the CFPB’s examination authority to determine if card issuers are re-evaluating cardholders whose rates were raised (for market-based reasons), and to demand information from issuers as to how many customers have seen their interest rates drop since the review requirement went into effect.

**Change in terms options:** Require card issuers to allow consumers with (non-penalty) rate increases the option to maintain the original interest rate until the card expires.

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*Consumer Action has been a champion of underrepresented consumers since 1971. A national, nonprofit 501(c)3 organization, Consumer Action focuses on financial education that empowers low to moderate income and limited-English-speaking consumers to financially prosper. It also advocates for consumers in the media and before lawmakers to advance consumer rights and promote industry-wide change particularly in the fields of credit, banking, housing, privacy, insurance and utilities. [www.consumer-action.org](http://www.consumer-action.org)*