

FACTS

FOR OLDER CONSUMERS

National Consumer Law Center®

Your Credit Card Rights

Most credit card consumers experience problems with credit card bills at some point in their lives. A merchant might bill them twice for the same item or bill them for more than the agreed-to amount. Mail-order merchandise might never arrive, but a charge will appear on the consumer's credit card bill. Thieves might use the consumer's credit card number to buy a big-ticket item, such as a TV or computer. Even worse, some consumers have become victims of identify theft, the fastest growing crime in the U.S. Criminals open up credit card accounts in the name of innocent consumers and run up huge bills that the consumers don't know about until the bill collector calls.

Fortunately, federal law protects consumers in all of these situations. It forces credit card companies to pay attention to consumers when they have a dispute about a credit card transaction. It prevents them from harming a consumer's credit record or filing a collection lawsuit while a dispute is being resolved.

TYPES OF CREDIT CARD DISPUTES

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. They do not require the lender to come to any particular decision; that is, they do not prevent the lender 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 state or other federal law 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 -- that is, when someone steals, borrows or otherwise uses your card or card number without permission.

Under the law, your liability for unauthorized use of your credit card is limited to \$50. If someone steals your card, for example, your credit card lender can charge you a maximum of \$50 no matter how much the thief has charged on your card. If the thief uses the card for a telephone or Internet purchase, the lender cannot

charge you even for this \$50. Also, lenders often will waive the \$50 under the Visa and MasterCard “zero liability” policies.

It is very important to call the credit card company as soon as you know of the unauthorized use of your credit card. If you call before unauthorized charges are incurred, you cannot be charged even \$50, since the lender can take steps to cancel your card and send you a new one.

If a charge unexpectedly appears on your bill for something you did not authorize, you can also use the billing error procedures discussed below to dispute the charge. Some credit card lenders have been telling consumers they can only report unauthorized use by sending a written billing error notice within 60 days of receiving the bill with the unauthorized charge. This is not true. You can report unauthorized use over the telephone. You also are not required to do so within 60 days, although the sooner you report it, the better.

After you report an unauthorized charge, the credit card lender must conduct a “reasonable” investigation of your claim, unless it simply decides to take the charge off your account. A reasonable investigation might include analyzing the signature on the credit card slip, obtaining a copy of a police report, or comparing where a purchase was made versus where you live.

Note that if you give your credit card to another person, such as a family member, to use and they subsequently misuse it for a charge that you did not authorize, that is not considered unauthorized use. That is because your family member is considered “an authorized user” once you give them the authority to use your credit card, until you tell the credit card lender that the family member is no longer permitted to use your card.

2. *Billing Error Procedures*

The second type of credit card protection involves disputes about your bill. These disputes may include a merchant overcharging you or charging you for products you never received. A law called the Fair Credit Billing Act forces lenders to follow specific “billing error” procedures to resolve the dispute.

How to raise a billing error dispute

Under the law, you must send a dispute within sixty (60) days of the first bill with the improper charge. You must raise the dispute in writing and include the following information:

- **Name and account number**
- **The dollar amount in dispute**
- **A statement of the reason for the dispute**

You must send your letter of dispute to the address provided by the lender for this purpose, and it must be received within the 60 day period. Information about this address and how to raise a dispute appears on the back of your credit card statement.

What can you dispute?

The law only permits you to raise certain types of disputes using the billing error procedures. Some examples of reasons for dispute are:

- I did not authorize this charge. (Remember – you can, but are not required to raise unauthorized use using the billing error procedures.)

- I did not receive the goods I ordered.
- I returned the goods I ordered because they were defective but did not get a credit.
- The merchant sent me the wrong goods.
- The merchant did not complete the services I contracted for or performed them incompletely.
- The merchant billed me for the wrong amount.
- I canceled the contract with the seller before work was performed.
- Although I agreed to buy something from this merchant, I did not authorize them to bill my account.

You cannot raise a complaint about the quality of merchandise or services you bought with a credit card in the form of a billing dispute. However, you can withhold payment to your credit card lender for poor quality goods or services in many cases, which is the third type of credit card protection discussed below.

The following is an example of a dispute letter. If appropriate, send supporting documents such as a letter explaining the problem to the merchant.

SAMPLE CREDIT CARD DISPUTE LETTER

Jane Consumer
101 Main Street
Anytown, USA 12345

Big Credit Card Co.
P.O. Box 666
Somewhere, DE 00000

[The actual address you need to use appears on the back of the credit card bill you are disputing in a section called "Billing Rights Summary".]

Dear Big Credit Card Co.:

My name is Jane Consumer. My account number is 123456789. I am disputing a charge on the bill you mailed on June 5, 2016. That bill includes a charge in the amount of \$2,000.00 to Fix-It Garage. This amount is in error.

In April of this year I took my car to Fix-It Garage to be repaired. They estimated that the work would cost \$400. I told them not to do any work in excess of \$400. When they called to say the repairs were completed, they told me that the bill was \$2,000.00. I did not agree to pay this amount and they have charged my account without my authorization.

I have contacted Fix-It Garage by telephone, in person, and by the enclosed letter in order to try to resolve the dispute. They have not agreed to withdraw the charge.

Please investigate this dispute and provide me with a written statement of the outcome. Thank you for your time and attention to this matter.

Very truly yours,

Jane Consumer

What happens after you raise a dispute?

Once you have raised a dispute, the credit card company must acknowledge receiving it within 30 days. The company must investigate and report back to you in writing within two complete billing cycles (usually between two and three months) or within 90 days, whichever comes first. In some cases, the charge will be canceled. Sometimes a merchant will back off rather than risk losing the privilege of accepting business by credit card.

If the credit card company finds in your favor, or the merchant cancels the charge, interest associated with the successfully disputed charge must also be canceled. Also, if the credit card company does not follow the law by investigating and reporting back to you within required timeframe, it must cancel the charge. The dispute must be resolved within the required timeframe; the credit card company is not permitted to cancel the charge and then reinstate it after the two complete billing cycles or 90 days is over.

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. The credit card company cannot take collection action or report you as delinquent to a credit bureau with respect to the disputed amount. However, it can take these actions if part of your debt is undisputed and you do not make necessary payments.

If the credit card company does not resolve the dispute in your favor, it must send you a written explanation and give you any supporting documentation upon your request. It must allow you the grace period normally permitted for the charge (unless you made the dispute after the grace period or did not have one).

3. Right to withhold payment

The third important credit card dispute protection is the right to stop payment. Stopping payment is a very powerful tool that you can use when you are dissatisfied with something you bought with a credit card. You can use this power if you have a legitimate complaint about the quality of goods or services you bought with the card and you first make a good faith effort to resolve the problem with the merchant directly.

There are a few other important limits to the stop payment right:

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

However, these last two limits do not apply if the credit card was issued by the seller (such as a department store card) or if the seller mailed you the advertisement for the goods or services you purchased. Whether an Internet or telephone purchase is considered to have been bought in your state depends on your state's law. You still need to make a good faith effort to resolve the problem with the seller in all of these circumstances.

After you notify your credit card company that you are withholding payment, they cannot report the disput-

ed amount as delinquent to a credit bureau until the dispute is settled or a court judgment is issued against you. The lender cannot treat the dispute as “settled” or take collection action against you unless it has completed a reasonable investigation of your claim.

HOW TO ENFORCE YOUR CREDIT CARD DISPUTE RIGHTS

In many cases, a credit card dispute 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.

Complain to Consumer Financial Protection Bureau. The CFPB began accepting complaints against credit card companies in 2012. You can file a complaint on-line, by phone or by mail.

Online: www.consumerfinance.gov/complaint

Phone: (855) 411-CFPB (2372)

Mail: Consumer Financial Protection Bureau
P.O. Box 4503
Iowa City, Iowa 52244

You should also file the same complaint with your state Attorney General.

Sue the company or take them to arbitration. Federal law permits you to sue the credit card company if it does not follow the dispute procedures discussed above or takes some action forbidden by law (such as reporting a disputed amount as delinquent to a credit bureau). However, your right to sue may be limited by a mandatory arbitration provision. Most credit card companies have slipped these provisions into their contracts (probably one of those bill stuffers with tiny print that few consumers read) that prevent you from suing a credit card company in court. Instead, you are required to use a private company to resolve your claim. Arbitration is not as favorable for consumers as going to court, although it is more informal and you do not need an attorney. If you decide to use the arbitration process, make sure to have the company agree to pay the costs, as credit card companies sometimes will do. Otherwise, arbitration is very expensive, with filing fees of \$100 - \$200 and daily fees up to \$1,000 per day.

Raising claims when sued. If you do not pay the disputed amount, the company may sue you to recover it. You can always raise an unauthorized use claim, billing error dispute, or a claim over shoddy good or services as a defense when you are sued.

ADDITIONAL RESOURCES

National Consumer Law Center, *Truth in Lending* (9th Edition 2015), available at <https://library.nclc.org/node/99580>.

National Consumer Law Center, *Guide to Surviving Debt* (2016 ed), available at <https://library.nclc.org/node/184511>.

Federal Trade Commission, Disputing Credit Card Charges, available at www.consumer.ftc.gov/articles/0219-disputing-credit-card-charges.

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Published: August 2016



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