

Tips for Smart Consumers

Credit Card Rights

A Message from Attorney General Bill Sorrell

Have you ever ordered merchandise that was never delivered, or when delivered turned out not to be what was promised? Have you ever been dissatisfied with a repair, even after returning to the merchant to complain?

If you paid for goods or services with a credit card, you have rights that you don't have if you paid by check, money order or cash. The federal Fair Credit Billing Act (FCBA) and Vermont's Credit Billing Act establish procedures that require creditors to correct errors quickly and resolve disputes between consumers and merchants.

What types of transactions are covered?

The federal law applies only to "open end" credit accounts. These include credit cards, revolving charge accounts (such as department store accounts) and overdraft checking. It does not apply to installment loans or purchases that are paid according to a fixed schedule until the entire balance is paid, such as an auto or home loan.

Correcting Billing Errors

The FCBA's settlement procedures apply to disputes over "billing errors" that appear on your periodic statement. These include:

- charges not made by you or anyone authorized to use your account;
- charges for property or services that you did not accept on delivery;
- charges for items that were not delivered as agreed;
- failure to show a payment or other credit, such as returned merchandise;
- accounting errors, such as arithmetic mistakes in computing finance charges.

Procedure for resolving billing errors

If you think your bill contains such an error, you should write to the creditor (e.g., the credit card issuer). You can call, but that won't preserve your rights. The letter should go to the address indicated on the bill for billing error notices. It must

reach the creditor within 60 days after the first bill containing the error was mailed to you. Your letter must include the following information:

- your name and account number;
- a statement that you believe the bill contains an error;
- the reasons why you believe there is an error;
- the date and amount of the item in dispute.

You may want to enclose copies (never send originals!) of sales slips or other documents. It's also a good idea to send the letter by certified mail, so that you'll have proof of the dates of mailing and receipt.

The Creditor's Responsibility

The creditor must acknowledge your letter within 30 days of receipt, unless it resolves the dispute within that period. Within 90 days the creditor must conduct a reasonable investigation and either correct the mistake or explain why it believes the bill is correct.

While the dispute is being resolved

The charge may appear on your bill, but you should withhold payment of the amount in dispute until the matter is resolved. You are required to pay any portion of the bill that is not in dispute, including finance and other charges. During this period the creditor may not take any legal or other action to collect the amount in dispute, such as closing or restricting your account, except that the disputed amount may be applied against your credit limit. The creditor may not threaten to damage your credit rating or report you as delinquent to a credit bureau. However, the creditor may report that you are disputing your bill.

When the creditor completes its investigation

If a billing error is found, the creditor must credit your account with the amount not owed and remove all finance charges and late fees associated with that amount. If the creditor determines the bill is correct, you must be told in writing how much you owe and why. You are liable for any finance charges accumulated during the dispute. You may ask for copies of relevant documents supporting the creditor's position. If you still believe there is an error, you may write the creditor within 10 days of receiving its explanation stating that you refuse to pay the disputed amount. The creditor may begin collection efforts. However, if the creditor reports you to a credit bureau as delinquent, it must also state that you do not believe that you owe the money.

Disputes over quality of goods or services

Complaints about the quality of goods or services--such as a product that breaks down after its first use or a repair that is unsatisfactory--do not necessarily constitute "billing errors." Thus the dispute procedure described above may not apply. However, if you paid for those goods or services with a credit card, you can request a *chargeback* from the credit card issuer. There are some limitations on your right to a chargeback:

- it applies only to the unpaid balance of the disputed item;
- you must have first tried to resolve the dispute directly with the merchant;
- unless the merchant is also the card issuer (e.g. a department store credit card), the amount charged must have been more than \$50 and you must have bought the item in your home state or within 100 miles of your current mailing address (though goods ordered by phone or mail from your home in Vermont are considered purchased in Vermont).

What you should do

You should write to your credit card issuer's customer service department as soon as you discover the problem. Tell them that you are requesting a chargeback under the special rules of the federal Fair Credit Billing Act. Your letter should include your account number, the identification and amount of the transaction that you are declining to pay, and a description of your efforts to resolve the matter with the merchant. You should not pay that portion of the bill represented by the disputed transaction.

What happens next

If the dispute is resolved in your favor, you won't be required to pay for the merchandise and the charge will not reappear on your bill. If your chargeback request is denied, you may have to pay interest on the unpaid portion. As a general rule, credit card issuers try to help their customers in disputed transactions. Thus, even if you have already paid your bill before you discovered the problem, many credit card issuers will still consider your request for a chargeback.

Telemarketed transactions

Vermont's Credit Billing Act adds an additional protection in cases where a credit card is used to pay for goods or services purchased by phone. If the merchant does not give proper oral and written notice of your right to cancel the transaction within three business days, you have *three years* from the date of the sale to request a chargeback. This right exists even if you have already paid for the purchase, as long as the issuing bank is reimbursed by the merchant's bank.

Avoiding credit card fraud

Credit card fraud costs Americans nearly \$1 billion a year. Here are some things you can do to avoid becoming a victim of this costly scam:

- When you give your card to a salesclerk, keep it in view and ask for it back promptly after an imprint has been taken.
- Never give your credit card number over the phone or by computer unless you're dealing with a company you know.
- Don't write your credit card number on a check, although you may be required to *show* your credit card to the merchant accepting the check.
- Memorize your PIN number and don't keep it with your card; don't select a PIN that someone could easily guess, such as your birthday, phone number, name, etc.
- Destroy carbons immediately.
- Carry only the cards you use frequently, and leave the rest at home. If you don't use a card at all, cut it up and throw it away.
- If you lose your card or discover it's been stolen, call the card issuer immediately. By law, you're not responsible for any unauthorized charges from the time you report the loss. If the card is used before you report the loss, the most you'll have to pay is \$50 per card.

Where can I get more information about my credit card rights?

Contact the Attorney General's Consumer Assistance Program at the following address:

Consumer Assistance Program
Morrill Hall-UVM
Burlington, VT 05405
Phone: 800- 649-2424 (toll-free) or
802-656-1025 (Chittenden County)
Email: ConsumerComplaint@atg.state.vt.us