

## Credit card lenders go on a rampage

In a race against reform, banks are using all their dirty tricks to grab every last nickel they can from their customers. You can help fight back.

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Credit card issuers have become a pack of dangerous dogs. Somebody needs to yank their collective leash.

Yet Congress has blown a chance to do just that.

The House recently passed a bill that would have moved up the implementation of the credit card reform act from Feb. 22, 2010, to Dec. 1, 2009. But Senate opponents have blocked a similar bill, S. 1833.

Thank you, lawmakers. Now we're in for three more months of card issuers' foul play.

Lenders actually started jacking up rates, lowering credit limits and closing accounts well before Congress passed the Credit Card Accountability, Responsibility and Disclosure Act, or Credit CARD Act, in May. Soaring default rates and frozen credit markets led issuers to start pulling in their horns in early 2008, as I wrote in "The credit card party is officially over."

But the law's passage has touched off a frenzy of issuer retaliation. Angry at lawmakers, lenders decided to take it out on their customers, regardless of those customers' credit scores or payment histories.

Issuers seem oblivious to the fact that jacking up rates to 20% or even 30% is often a pointlessly counterproductive move, because savvy consumers with good credit can simply take their business elsewhere, while others will be forced into default.

### **Banks no longer even pretend**

The one silver lining is that the public is finally seeing how devious and untrustworthy credit card lenders truly are. When issuers limited themselves to beating up on folks with bad credit, it was too easy for the rest of us to dismiss their foul tactics as business as usual. Now that the schoolyard bullies are going after everyone, the need for putting restraints on the industry is ever more obvious.

Although virtually every issuer has participated in the madness, a few have managed to distinguish themselves and deserve to be called out. For example:

- After promising to stop raising interest rates in advance of the Credit CARD Act's implementation, Bank of America announced it would start slapping annual fees on accounts -- a direct contradiction of its Oct. 5 pledge to stop "re-pricing" customer accounts.
- Citibank has been raising rates, then promising to rebate a portion of the interest paid to customers who charge a certain amount every month. In other words, the lender will give

customers a small kickback as long as they keep digging a bigger debt hole for themselves.

- HSBC apparently lowered at least one customer's credit limit simply because he lives in California. (I know some people are mindlessly biased against Californians, but this is ridiculous.)

We've heard a lot of bloviating about how lenders are just trying to protect their business models now that some of their most lucrative practices have been or are about to be banned. Practices such as:

- Moving around due dates to generate late fees and penalty rates, giving insufficient notice when changing rates or terms and unilaterally imposing changes without giving customers a chance to opt out (all illegal as of Aug. 20).
- Raising rates on existing balances, unfairly applying payments to lower-rate balances first to keep customers in debt longer, approving over-limit transactions to generate fees without customer consent, employing the horror known as double-cycle billing and charging outrageous fees on subprime cards (scheduled to be illegal as of Feb. 22).

Lenders are forced to screw over their customers, the argument goes, in order to stay in business.

### **Threats, cheating and lies are not good business**

I have the same feeling about this idiotic line of reasoning that I had when the telemarketers cried foul about the federal Do Not Call list.

And that is: Tough toenails.

There's nothing in the Constitution that says we have to guarantee obscene profits for businesses that chose to mislead, gouge and annoy their customers. If you get money by abusing other people, the money was never yours to begin with. If you can't conduct your business fairly, then maybe you shouldn't be in business at all.

I have perfect confidence that at least some issuers eventually will get it right. They will finally realize that the glory days of record profits are over and aren't coming back. They'll figure out that driving away customers isn't a good idea. They'll find a way to make reasonable profits while abiding by the new laws.

In the meantime, they all deserve a rolled-up newspaper across the nose.

Consumers Union is leading a last-ditch effort to get the Senate to act. If you want to help put the pressure on send a message to your senators.

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