

Thursday, March 13th, 2008
Testimony of Steven Autrey

Ladies and Gentlemen of the subcommittee, Ranking member, and Madame chair: Good morning, and thank you for inviting us to speak before you.

I would like to give you a brief recap of some negative experiences both my wife and I have had with one particular credit card issuer. Though Chase, Citibank, and GE Money Bank have engaged in similar behavior, I would like to make you aware of the actions of Capital One with regards to our retail credit card accounts.

When a consumer applies for credit with a card issuer, or as we did – respond to a “pre-approved” offer, upon establishment of an account, a bona-fide financial contract exists between the consumer and financial institution. It is because of consumer protection laws at the federal level, that the rates, rules, and terms of the contract are spelled-out in advance of the first use of the card. Both the customer and financial institution trust that the other will live up to the terms of the agreement.

Unfortunately, an increasing number of credit card issuers are engaging in less-than-ethical practices at an alarming rate. Unilateral, or one-sided changes in the terms of the contract – most always in favor of the credit card company - are becoming routine practice at an alarming rate. These one-sided changes are bad for consumers, bad for our national retail credit health, and essentially violate the spirit and letter of Title 15 Consumer Credit Protection Law.

My relationship with Capital One goes back to 1999, when I was solicited with an offer for a Visa card with a “fixed” 9.9% rate card. I applied over the phone, and was approved. The card was used for both purchases and balance transfers in a positive relationship with Capital One for eight years until July, 2007. That’s when Capital One advised me in a billing insert that my “fixed” rate of 9.9% was being raised to 16.9%. No reason or explanation was given – I was not late on payment, and had not utilized the entire credit limit. This was a unilateral change to the terms of our agreement.

In August, of 2007, I wrote a letter to Mr. Richard D. Fairbank, Chairman, President, and CEO of Capital One, at their McLean, Virginia home office. My written statement will contain a copy of Capital One’s response which includes the line, “Unfortunately, changes in the interest-rate environment or other business circumstances may require us to increase rates, even for fixed-rate accounts in good standing.”

Other issues should be of concern to this committee as well. My wife holds a Capital One-issued MasterCard credit card. Last October, she experienced a medical emergency and had to leave work to spend hours at a medical facility to receive tests and treatment. Arriving home later that evening, she immediately logged on to the CapitalOne.com website to pay her bill online. It was approx. 9:00pm on the due date. Although she made the payment on the due date, it was 6 hours past the 3:00pm cutoff time.

For being six hours late on her payment, she was hit with a \$39.00 punitive fine labeled as a “late fee.” That late fee, when added to her account, pushed her balance over the limit by \$16.00. It was at this point that Capital One added a second \$39.00 fine in the form of an “Over the limit fee” to her account.

In tears, my wife called Capital One and explained her situation and the emergency medical treatment. She was told the late fee was not going to be removed, she was late and that was that. They did tell her that as a “courtesy” they would remove the over limit fee on a one-time-only basis. Ironically, at the same time, my wife had a credit balance of over \$300.00 for her overpayment on the total balance of her Capital One Auto Loan.

The NFL does not allow one team, in the midst of the fourth quarter, to unilaterally move their end zone 20 yards in their favor just because they don’t like the point spread. The rules are laid out before the kickoff, and the umpires enforce the same rules for both home and visiting teams for the whole contest. It’s time for legislation at the federal level that tells the credit card industry, “Game Over” to unilateral, one-sided, rule changes.

As a registered Republican, it has typically been my philosophy that business and commerce flourish and perform better with minimal government interference. However, when an industry sector proves time and again that it is unable to police itself and behave and engage in fair and ethical trade practices, legislative intervention is required.

With some progress in our consumer credit laws, and reform of the monopolistic credit scoring cartel controlled by the Fair, Isaac, and Company (“FICO”), perhaps once again consumers can have a level playing field in doing business with credit card issuers.

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