



FREQUENTLY ASKED QUESTIONS ABOUT CREDIT CARDS

by Texas Attorney General Greg Abbott

EACH YEAR MY OFFICE HEARS FROM thousands of Texans who have questions about credit cards – from the amount of interest they can be charged to whether businesses can impose surcharges if a consumer pays for a good or service with a credit card.

Consumers with questions about their credit card should first consult the credit card agreement. These can be long documents in very fine print. Even though it may take time, make sure you read it thoroughly, ideally before signing up for a card.

Many consumers complain that they were lured into high interest credit cards by promotions that touted low or even “zero interest” offers. But often these rates last a few months and are subject to change for a number of reasons which are specified in the agreement.

TERMS AND INTEREST

While Texas law provides for a limit on credit card interest, this applies only if the bank issuing the card is chartered in Texas. Most credit card companies today are based in states that do not impose such limits, and under federal law are able to charge substantially more, even to consumers who reside outside the state with a high or no interest cap. While consumers with good credit histories are generally

offered a relatively low rate, many things can trigger a substantial increase, such as being even a single day late on a payment.

Consumers should also be aware that many credit card companies regularly monitor their overall creditworthiness. This means that the interest can be raised if the consumer is delinquent in paying a debt unrelated to the card, such as an auto loan or mortgage. Furthermore, most credit card agreements allow the issuer to periodically change the rate at its discretion.

Keep a close watch on each month’s statement to find out if the rate has suddenly changed. This might happen even if you’ve been making timely payments on the card and all other outstanding debt. You might want to contact the credit card company and question them on any sudden rise in interest, and ask if you can negotiate a better rate.

Just as credit card companies are permitted to raise the interest rate, they are generally allowed to change other terms, including late fees and the minimum amount due. Again, if there is an abrupt change in any terms from one statement to the next, contact your credit card company to find out why, and see if they are willing to reinstate the original terms.

DISCRIMINATING AGAINST CREDIT CARD USERS

In Texas, a business cannot penalize consumers who pay for a good or service by using a credit card. Businesses that add a surcharge to those who pay by credit card might be violating provisions of the Texas Finance Code. Usually those fees can only be charged by government entities, such as for the payment of property or other taxes or other fees required by a government agency.

However, businesses in Texas can discount the regular retail price of an item for consumers who pay cash instead of using a credit card. Consumers who are charged extra for using a credit card should report it to my office by calling us at 1-800-252-8011 or filing a complaint online at www.oag.state.tx.us.

Similarly, businesses that accept credit cards are generally forbidden from setting a minimum amount to be charged to the card. While there is no law that prohibits this practice, virtually all agreements that merchants have with credit card companies prevent the business from imposing a minimum charge for card users. If you are faced with this, report it to your credit card company.

POINTS TO REMEMBER



UNDERSTANDING CREDIT CARD TERMS

- Read the credit card agreement carefully before signing up for a card.
- Check your monthly credit card statement for changes in interest rates, late fees, and the minimum amount due.
- Contact the Texas Office of Consumer Credit Commissioner, which regulates the credit industry and offers assistance to consumers and creditors, at 1 (800) 538-1579 or www.occc.state.tx.us
- If you believe you have been charged additional fees for using a credit card or been subjected to misrepresentation or deceptive practices by a credit card company, contact the Attorney General’s office:

Attorney General of Texas
at 1(800) 252-8011
or email
www.oag.state.tx.us



ATTORNEY GENERAL OF TEXAS
GREG ABBOTT