

The **Consumer Financial Protection Bureau ("CFPB") announced** on October 1, 2012 that three American Express subsidiaries will refund \$85 million to approximately 250,000 customers in connection with illegal credit card practices. An investigation found that at every stage of the consumer experience, from marketing to enrollment to payment to debt collection, American Express systematically violated consumer protection laws. The violations occurred between 2003 and the spring of 2012. The unlawful practices included the following:

- Consumers were led to believe they would receive \$300 in addition to bonus points if they signed up for the American Express "Blue Sky" credit card program. Often, consumers who met the qualifications did not receive the \$300, a violation of federal law prohibiting deceptive practices.
- American Express entities billed late fees on certain cards based on a percentage of the debt in violation of the Credit CARD Act.
- American Express affiliates treated charge card applicants differently on the basis of age by not fully implementing the system for applicants over the age of 35. This violated the Equal Credit Opportunity Act which requires credit scoring systems that take age into account to be properly designed and implemented.
- American Express entities failed to report consumer disputes to credit bureaus, as required by the Fair Credit Reporting Act.
- American Express entities also misled consumers about debt collection and deceived consumers into believing there were certain benefits to paying off "old debt." Consumers were told that if they paid off old debts, the payments would be reported to credit bureaus and could improve their credit scores. In actuality, American Express was not reporting the payments and the debts were so old that even if American Express had tried to report them, many of the payments would not have appeared on consumers' credit reports or affected their credit scores.

In accordance with orders issued on October 1, American Express subsidiaries have agreed to correct their unlawful practices and to issue refunds to consumers who were **harmed by the illegal practices**. Approximately 250,000 consumers will receive refunds totaling an estimated \$85 million. The refunds include the following: (i) consumers who were misled into paying old debt because they thought it would be reported to the credit bureaus will be reimbursed the money they paid plus interest; (ii) consumers promised their debt would be forgiven and who were denied new credit cards because the debt was not forgiven will receive \$100 and a pre-approved offer for a new card with terms

the CFPB finds acceptable; (iii) Blue Sky customers who were promised \$300 for signing up will get that \$300; and (iv) consumers who paid an illegal late fee will be reimbursed with interest. In addition to the refunds, the American Express entities will pay a civil penalty of \$27.5 million.