

Thursday, April 17th, 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. Again.

I would like to give you a brief recap of some negative experiences I have had with one particular credit card issuer. Though Chase, Citibank, and GE Money Bank have engaged in much more egregious and unethical behavior, I would like to make you aware of some actions of Capital One with regards to a Visa card account.

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 sub-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. 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 2000, 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 over seven years until July, 2007. That’s when Capital One advised me in a small, loose, billing insert that my “fixed” rate of 9.9% was being raised to 15.9% - nearly a 60% increase. No reason or explanation was given. This was a unilateral change to the terms of the Cardholder Agreement.

Until then, I had been late by one day one time, and months later, my finance charges alone – when added to billing cycle’s closing balance – pushed the account \$13.58 over the limit. I wanted to find out if these were the reasons why my rate was going up.

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.”

Capital One did offer me the opportunity to keep my fixed 9.9% rate on the balance and pay it off, but in order to do so, there was a cost: I had to close my account. The credit industry, in collusion with the Fair Isaac and Company of Minneapolis, has carefully constructed an unchallenged scheme where consumers are penalized with a declination to their FICO credit score when they choose to close accounts. Lower “FICO” scores yield less-than-favorable terms on existing and future loans, mortgages, even insurance rates.

Although some of the credit card companies represented here today, and some of those who were allowed to bring testimony before this committee on March 13th are now voluntarily taking baby steps toward the broader goals of H.R. 5244, random acts of chosen change by some are no bellwether of comprehensive compliance by all card issuers. The playing field must be leveled between consumer and creditor.

The NFL does not allow one team, in the midst of the fourth quarter, to unilaterally move their end zone 20 yards 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, contract 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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Capital One Services, Inc.
PO Box 85870
Richmond, Virginia 23285-5870

September 12, 2007

Steven G. Autrey
2714 McKenzie Lane
Fredericksburg, VA 22408

Re: Account ending in 8743
Case No: 10000307331710

Dear Mr. Autrey:

Your letter has been forwarded to my attention for response. You express concern with our recent change in terms to your account.

First and foremost, we want you to know we value your business and appreciate the opportunity to be your credit card provider. As described in your original solicitation, the fixed Annual Percentage Rate (APR) on your account was 9.9%, which was not a promotional rate. 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.

As stated in your *Customer Agreement* (copy enclosed), provided to you at account opening, we reserve the right to make changes to your account as long as we provide you written notification prior to such changes taking effect. Due to rising interest rates, we notified you of a pending APR increase on your account, in a separate change in terms notice. The change in terms notice explained that your APR for purchases and cash advances would increase from a 9.9% APR to 12.9% APR beginning with your first billing cycle after September 16, 2007.

We offered you the option to decline these changes by contacting our automated system at 800-211-3315, by midnight EST on September 11, 2007. If you decline the changes, you will be able to pay down your account at your existing terms, but, will not be able to use your card. Additionally, if you decline the changes, we will close your account after your balance reaches zero and we confirm no new charges have posted to your account.

Keep in mind, if you have accumulated rewards and would like to redeem them, you will need to do so before September 16, 2007.

We appreciate this opportunity to address your concerns. If you have any additional questions or concerns, please feel free to call me at 1-800-955-1455, Ext. 4353.

Sincerely,

Tanesha Brown
Capital One Services, Inc.

Steven Autrey
2714 McKenzie Lane
Fredericksburg, VA 22408

Richard D. Fairbank,
Chairman, President and CEO
Capital One Financial Corporation
1680 Capital One Dr.
McLean, VA 22102-3407

Capital One
Attn: Disputes
PO Box 85520
Richmond, VA 23285-5520

RE: Capital One Visa Card Account #xxxx-xxxx-xxxx-8743

August 27th, 2007

Dear Mr. Fairbank:

Our banking relationship has grown since the above-referenced card was first issued back in 1999. Over the last eight years, Capital One has raised my credit limit numerous times – most without solicitation - and has honored the contents in the cardholder agreement.

Recently, I received a notification from Capital One that due to the “increased costs of doing business” (sic), my fixed rate of 9.9% is being raised to 16.9% effective after the September, 2007 billing cycle.

As a longstanding customer of Capital One’s, and a good customer who generates a lot of finance charge revenue and purchase revenue for your company, and in light of our heretofore good relationship since 1999, I am asking you to maintain my 9.9% fixed rate.

My personal financial situation has changed for the positive, and a new payrate will go into effect next month here at my job.

Thank you for your kind consideration.

Best regards,

Steven Autrey