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Unfair or Deceptive Acts or Practices

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General Comment

Dear Sirs,

I am writing to comment on the proposed changes to regulations on unfair credit practices.

First, a general comment. Thank you to all the people inside and outside government who have worked up these proposed changes. As a general rule, the credit industry is predatory, and need their heads wacked regularly.

Detail Comments:

Credit Reg #1: As proposed, the rule is reasonable.

Credit Reg #2: As proposed, the rule is reasonable.

Credit Reg #3: Very tough situation. The rule appears reasonable, but there are too many loopholes. The loopholes are reasonable, but the credit companies will use these loopholes to include ALL their pricing activities, and hence gain unfair protection. I suggest that the language of the regulation include a statement on the spirit of the regulation, and specifically indicate that when lawsuits are brought, the credit company that deliberately skirted the spirit will get financially pounded as a company, and the PEOPLE inside that organization who promoted the idiot policies be personally financially pounded.

Credit Reg #4: In general, I agree. However, I ask that one concept be added. The credit institution cannot charge an overlimit fee when their own penalties (for WHATEVER reason) force the balance over the limit. AND also, credit companies need to DECLINE to accept a charge that will force the balance over the limit, UNLESS the consumer specifically authorizes that charge. It is easy enough to do with computers. (A simple 2nd conversation with the credit terminal will work just fine.)

What happens in practice is that the credit companies use the fees to keep the balance over the limit for as many months as they can, and pound the consumer with late fees, overlimit fees, etc. forever. The credit companies love it, and consumers who get into this situation are caught in a never-ending bad situation. Credit Regs #5,6,7 - OK as proposed.

Additional proposal:

When a card holder is late with a payment, credit companies hit us with fees, and penalties. One penalty is to DRAMATICALLY increase the credit rate, immediately going from whatever the current rate is to a max rate, these days in the 30% range.

Credit companies can reasonably argue that they be allowed to penalize certain consumers. BUT, hit us with 1 penalty or the other, NOT BOTH. Not a late fee and a rate increase. Let the credit company choose which penalty - fee or rate increase. And the rate increase should be a step function - no more than 3-4% per step. And there should be some statement that a single late incident can result in only 1 penalty, not 2 or 3 over successive months.

There should also be some identified criteria where the credit company can increase the rate. Rate penalties are really really bad. In effect, a rate penalty can keep a consumer "in debt to the company store forever until after their children are dead".

If a consumer has a run of bad luck or bad discipline, and has had X late payments in a row, been hit with Y overlimit fees, or a combo of late payment fees and overlimit fees (maybe a combo of 6 of these penalties in a 4 month period), then the card should be closed, forever, the rate reduced to 9% and frozen for the life of the balance. The consumer then must pay off the balance. No further fees should be assessed on this balance. The interest rate should be frozen.

Credit companies will scream. These are the very consumers who provide them with most of their fees and penalties. In effect, credit companies are preying on the little guy. The credit companies will have to decide if they want steady business over time (good customers), or if they want to rape and pillage quickly (bad customers).

Overdraft regulations:

These seem to be reasonable.

A general comment - if proposed regulations are as reasonable as these proposed regulations are, and the credit companies are still protesting, then that is a clear sign that the credit companies have been raking the consumer over the coals. The proposed changes therefore are clearly not strict enough. Go further!

John Duffy