Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

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Fact Sheet

The following are examples of unfair or deceptive practices which the OCC believes Providian National Bank engaged in. While the bank did not admit or deny wrongdoing, it entered into a consent order which addresses these programs and others.

Guaranteed Savings Rate (GSR) program

Providian encouraged consumers to transfer accounts to the bank by telling them that they were guaranteed a lower credit card rate than they were currently paying. The telemarketers who sold this program used terms like "great savings" and "maximum savings, " but refused -- as they had been instructed -- to answer questions about how great the savings would be.

Instead, in response to the question of how much money would be saved, the telemarketers used scripts that directed them to say:

> What we will do is beat what you are currently paying in interest. Basically, just show us the regular, non-introductory rates you're paying for the balances you've transferred, and we'll combine this information to get the actual cost you're paying in interest - and beat it! So, you'll have a lower overall rate!!

If the consumer pressed the question, the telemarketer was directed to say:

> You are in control . . . that is why this account can really save you money! Because your long term rate is determined by the information <u>you send us</u> showing the regular non-introductory rates you're currently paying on the balances you transfer.

When further pressed, the telemarketer was directed to say:

> Well, Mr./s under our Guaranteed Saving Program, what we do is determine the <u>true cost</u> of what you are paying in interest and we beat it. That's why we've had such an overwhelming response to this account.

If the consumer persisted, the telemarketer was told to say:

> Simply show us the regular, non-introductory rates you're paying for the balances you've transferred and we'll combine this information to get the actual cost you're paying in interest -- and beat it! So, you have a variable rate that beats what you are paying now! (Sounds good, doesn't it!!)

No matter how hard the consumer pressed, the telemarketer, as directed by the bank, never told the consumer that the maximum saving over the rate the consumer had been paying was 0.7 percent in one rollout and 0.3 percent in another.

In addition, after the account was transferred to Providian, customers who were dissatisfied with the rate reduction were required to pay a 3 percent "balance transfer fee" to move their funds to another institution.

In addition, in order to receive the GSR program's 0.3% - 0.7% savings, the consumer was required to "prove up" what their interest rate at the other credit card company was. The consumer was given 90 days to offer proof of their old rate, and if Providian was not satisfied with the proof, the bank charged the highest rate permitted under the account agreement -- often 21.99 percent. This was ordinarily more than the consumer was paying prior to transferring balances to Providian.

Moreover, if the consumer did not successfully prove their interest rate to the satisfaction of Providian, the bank, by written policy, waited until the 70th day to inform the consumer. This, of course, greatly diminished the consumer's opportunity to "prove up" their rate.

Credit Protection (CP)

The bank marketed credit protection (CP) as a great way to avoid having to make payments when hospitalized or out of work for up to 18 months. As part of the program, no interest was to be charged to the consumer during that period, and no adverse credit reports were to be filed. However, in marketing this program, the bank did not adequately disclose the following significant restrictions to the CP program:

- CP coverage was limited to the number of months that the consumer paid in, even if that was less than the 18 months touted by the telemarketers;
- CP was unavailable with regard to involuntary unemployment unless the consumer had paid in three months of premiums.
- CP was unavailable with regard to involuntary unemployment if the consumer were self-employed.
- CP was unavailable with regard to hospitalization, sickness or disability caused by a pre-existing condition unless the consumer had paid in six months of premiums.
- CP could be denied if the consumer's account were not current.
- CP could be denied if the consumer's account were over-limit.
- CP could be denied if the consumer paid more than the minimum to another credit card account, beside Providian's.

- CP could be denied if the consumer accessed credit from another credit card beside Providian's.

When consumers asked for literature on CP prior to signing up for it, Providian, through its telemarketers, refused to supply such information to the consumers.

<u>"No Annual Fee" credit cards</u>

In marketing this product, the bank did not adequately disclose that, although there was technically no annual fee, the consumer was required to purchase Credit Protection at $156 a year. If, after receiving a bill for the Credit Protection, the consumer complained, the bank informed the consumer that the Credit Protection was mandatory. If the consumer insisted that they did not want the Credit Protection, the bank informed the consumer that the only alternative was for the consumer to pay an Annual Fee. Thus, in order for the consumer to receive a card with no Annual Fee, the consumer had to pay for even more expensive Credit Protection.

Nowhere on the face of the solicitation letters did Providian disclose the fact that the purchase of Credit Protection was mandatory for the "No Annual Fee" credit card. Nowhere on the Application Form did Providian disclose the fact that the purchase of Credit Protection was mandatory. Rather, the bank indicated that Credit Protection was "included" with the card.

<u>"Real Check" program</u>

Providian marketed a program entitled "Real Check" in which the bank enticed consumers to open a credit card account with a promise of a "reward' of up to $100 in one instance and $200 in another instance. The bank, however, did not adequately disclose to consumers that they not only needed to transfer an outstanding credit card balance to Providian, they also needed to transfer a certain minimum balance, in order to get the full reward. In the case of the $200 reward, consumers were required to transfer a balance of a minimum of $10,000.