

Fair Credit Billing

Has the department store's computer ever billed you for merchandise you returned to the store or never received? Or has a credit card company ever charged you twice for the same item or failed to properly credit a payment made on your account? Credit errors do occur, but they are easy to resolve if you know how to use the Fair Credit Billing Act (FCBA). Congress passed this law in 1975 to help consumers resolve disputes with creditors and to ensure fair handling of credit accounts.

What transactions and disputes are covered under the FCBA?

- Generally applies to "open end" credit accounts (department store accounts, overdraft checking)
- Charges not made by you or anyone authorized to use your account.
- Charges which are incorrectly identified or for which the wrong amount or date is shown.
- Charges for goods or services you did not accept or which were not delivered as agreed, or failure to reflect payments or returns.
- Not mailing bills to your current address (provided you give change of address at least 20 days before the billing period ends).

How To Use the Settlement Procedure

To be protected under the FCBA, you must send a separate **written** billing error notice to the creditor. Your notice must reach the creditor within 60 days after the first bill containing the error was mailed to you. Send the notice to the address provided on the bill for billing error notices (and not, for example, directly to the store, unless the bills say that is where it should be sent). In your letter, you must include the following information:

- Your name and account number
- A statement that you believe the bill contains a billing error and the dollar amount involved
- The reasons why you believe there is a mistake.

It's a good idea to send it by certified mail, with a return receipt requested. That way you'll have proof of the dates of mailing and receipt. If you wish, send photocopies of sales slips or other documents, but keep the originals for your records.

What Must the Creditor Do?

Your letter claiming a billing error must be acknowledged by the creditor within 30 days after it is received, unless the problem is resolved within that period. In any case, within two billing cycles (but not more than 90 days), the creditor must conduct a reasonable investigation and either correct the mistake or explain why the bill is believed to be correct.

What Happens While a Bill is Disputed?

You may withhold payment of the amount in dispute, including the affected portions of minimum payments and finance charges, until the dispute is resolved. You are still required to pay any part of the bill which is not disputed, including finance charges on undisputed amounts.

Can't I just call the creditor?

While you can call the creditor about an error, this does not trigger the legal safeguards provided under the FCBA.

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While the FCBA dispute settlement procedure is going on, the creditor may not take any legal or other action to collect the amount in dispute. Your account may not be closed or restricted in any way, except that the disputed amount may be applied against your credit limit.

What if the Creditor Makes a Mistake?

If your bill is found to contain a billing error, the creditor must write you explaining the corrections to be made on your account. In addition to crediting your account with the amount not owed, the creditor must remove all finance charges, late fees, or other charges relating to that amount. If the creditor concludes that you owe part of the disputed amount, this must be explained in writing. You also have the right to request copies of documents proving you owe the money.

What Happens if the Bill is Correct?

If the creditor investigates and still believes the bill is correct, you must be told promptly in writing how much you owe and why. You may also ask for copies of relevant documents. At this point, you will owe the disputed amount, plus any finance charges that accumulated while it was disputed. You may also have to pay the minimum payment amount missed because of the dispute.

What Happens if You Still Disagree?

Even after the FCBA dispute settlement procedure has ended, you may still feel the bill is wrong. If this happens, write the creditor within 10 days after receiving the explanation and say you still refuse to pay the disputed amount. At this point, the creditor may begin collection procedures. However, if the creditor reports you to a credit bureau as delinquent, he must also state the you don't think you owe the money. Also, you must be told who receives such reports.

Your Credit Rating
The Equal Credit
Opportunity Act
prohibits creditors from
discriminating against
credit applicants who, in
good faith, exercise
their rights under the
FCBA. **You cannot be
denied credit merely
because you have
disputed a bill.**

Creditors Must Follow Procedures

Any creditor who fails to follow the FCBA dispute settlement procedure may not collect the amount in dispute, or any finance charges on it, up to \$50.00, even if the bill turns out to be correct. It also applies if a creditor threatens to report or improperly reports your non-payments to anyone.

Complaints and Quality

Disputes about the quality of goods and services are not necessarily "billing errors," so the dispute procedure may not apply. However, if you purchase unsatisfactory goods or services with a credit card, the FCBA allows you to take the same legal actions against the credit card issuer as you could take under state law against the seller. If your state law permits you to withhold payment to a seller for defective merchandise, or pay and sue for a refund, you might also be able to withhold payment to your credit card issuer. Because state laws on your right to stop payment vary, it is best to get legal advice from your Legal Assistance Office before you do so.