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CFPB Orders Citibank to Pay \$700 Million in Consumer Relief for Illegal Credit Card Practices

Millions of Consumers Harmed by Bank's Deceptive Marketing and Unfair Billing of Credit Card Add-On Products and Services, and Other Unlawful Practices

WASHINGTON, D.C. — The Consumer Financial Protection Bureau (CFPB) has ordered Citibank, N.A. and its subsidiaries to provide an estimated \$700 million in relief to eligible consumers harmed by illegal practices related to credit card add-on products and services. Roughly 7 million consumer accounts were affected by Citibank's deceptive marketing, billing, and administration of debt protection and credit monitoring add-on products. A Citibank subsidiary also deceptively charged expedited payment fees to nearly 1.8 million consumer accounts during collection calls. Citibank and its subsidiaries will pay \$35 million in civil money penalties to the CFPB.

“We continue to uncover illegal credit card add-on practices that are costing unknowing consumers millions of dollars,” said CFPB Director Richard Cordray. “In our four years, this is the tenth action we’ve taken against companies in this space for deceiving consumers. We will remain on the lookout for similar conduct and will address it as we find it.”

Citibank, N.A. is a national bank and insured depository institution. Citibank, as well as its subsidiaries Department Stores National Bank, and Citicorp Credit Services, Inc. (USA), marketed or offered credit card add-on products to consumers nationwide. From at least 2003 through 2012, Citibank actively marketed and enrolled consumers in five debt protection add-on products: “AccountCare,” “Balance Protector,” “Credit Protection,” “Credit Protector,” and “Payment Safeguard.” These products promised to cancel a consumer’s payment or balance, or defer the payment due date, if the consumer experienced certain

hardships, such as job loss, disability, hospitalization, and certain life events, such as marriage or divorce. Citibank also marketed and sold other add-on products – “IdentityMonitor,” “DirectAlert,” “PrivacyGuard,” and “Citi Credit Monitoring Services” – that offered credit-monitoring or credit-report-retrieval services. Citibank also offered “Watch-Guard Preferred,” a wallet-protection service that notified credit and debit card issuers if the consumers reported a card lost or stolen.

Deceptive Marketing

The Bureau found that Citibank or its service providers marketed these products deceptively during telemarketing calls, online enrollment, “point-of-sale” application and enrollment at retailers, or when enrolled consumers later called to cancel certain products. For example, confusing text on pin-pad offer screens at the point of sale increased the likelihood that consumers applying for credit cards at a retailer would not realize they were both applying for credit and purchasing debt-protection coverage. These illegal practices affected an estimated 4.8 million consumer accounts. Among other things, Citibank’s misleading or illegal marketing or retention practices included:

- **Misrepresenting cost and fees for coverage:** In some cases, telemarketers misrepresented or did not inform the consumer about the cost of the products. In certain telemarketing scripts, Citibank instructed telemarketers to claim a blanket “free” 30-day trial period, when Citibank still charged consumers during the initial 30 days of membership. In other instances, Citibank failed to inform consumers that they would be billed after the 30-day trial period if they did not cancel the product. Citibank also told some consumers they could avoid the fee by paying their balance in full by the due date. But to avoid the fee, consumers had to pay off the balance before the end of their billing cycle so that there would be no balance on the account when billing statements went out.
- **Misrepresenting benefits of some products:** For consumers who signed up for a credit-monitoring product, Citibank claimed the fraud alert service on credit card accounts would alert them of fraudulent purchases.

In fact, the credit-monitoring product only provided alerts to changes in a consumer's credit file maintained by major reporting companies, not at the transaction level. Citibank also misled consumers in telemarketing calls and in online marketing about the credit score benefit. It told consumers the credit score was generated from all the three major credit reporting companies, when in reality the score was generated by a third-party vendor.

- **Illegal practices in the enrollment process:** During telemarketing calls, Citibank's nonbank subsidiary, Citicorp Credit Services, Inc. (USA), used illegal practices to enroll consumers in these products. That company used leading questions to obtain billing authorizations from consumers for certain add-on products. It also enrolled some consumers without any billing authorization or by construing ambiguous responses during calls for a billing authorization as permission for enrollment, and then charged consumers for the products.
- **Misrepresenting or omitting information about eligibility for coverage:** In some instances, consumers disclosed information to Citibank indicating that they would be ineligible for certain benefits. However, Citibank failed to inform them that they would be ineligible to receive the product benefits and still enrolled them in the product.

Unfair Billing Practices

Under federal law, in order for Citibank or its vendors to obtain consumers' credit information to provide the credit-monitoring or credit-report-retrieval services for certain add-on products, consumers generally must authorize access to that information. In many instances, however, Citibank billed consumers for these products without having the authorization necessary to perform the credit-monitoring and credit-report-retrieval services. In other cases, Citibank or its vendors could not provide the promised services for other reasons, such as when the consumer's information could not be found in the consumer reporting companies' files. As a result, Citibank:

- **Charged consumers for benefits they did not receive:** Citibank charged consumers whose authorizations were not in order or who could not receive the credit monitoring or other benefits. The company continued to charge consumers for services they were not receiving, in some cases for the entire time the consumer had the product.
- **Failed to provide product benefits:** Consumers may have been under the impression that their credit was being monitored for fraud and identity theft, when, in fact, these services were either not being performed at all, or were only partially performed.

Citibank engaged in these unfair billing practices from at least 2000 through 2013. About 2.2 million consumer accounts were improperly billed product fees while not receiving the full product services.

Deceptive Collection Practices

When collecting payment on delinquent retailer-affiliated credit card accounts, Citibank offered consumers the option to pay by phone using a checking account, so the payment would post to the account on the same day. There was a \$14.95 fee associated with using this option. Citibank misled consumers by not disclosing the purpose of the expedited payment fee. It misrepresented the payment fee as a “processing” fee and did not explain that the fee was to post payment to the account on the same day it was made rather than a fee to allow payment. Citibank also failed to disclose other no-cost payment alternatives. The company charged the fee even though it was rarely in the consumer’s interest to pay the fee so that the payment would post on the same day.

Enforcement Action

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB has the authority to take action against institutions engaging in unfair, deceptive, or abusive practices, or other violations of federal consumer financial law. This is the tenth action the Bureau has taken against companies for illegal practices in the marketing or administration of add-on products and services. The CFPB’s order requires that Citibank:

- **Provide \$700 million in relief to roughly 8.8 million consumer accounts:** Citibank must provide approximately \$479 million in consumer relief to about 4.8 million consumer accounts as a result of the deceptive marketing or retention practices. It also must pay approximately \$196 million to roughly 2.2 million consumer accounts that enrolled in the credit monitoring products and were charged while Citibank did not perform all of the promised services. Department Stores National Bank must provide about \$23.8 million in consumer relief to almost 1.8 million consumer accounts for charging expedited payment fees on these delinquent accounts.
- **Conveniently repay consumers:** Citibank will reimburse consumers affected by these practices. Consumers who are eligible for a refund do not have to take any action to get their refund. For the unfair billing practices related to the credit-monitoring products, Citibank has completed reimbursement to eligible consumers. For eligible consumers who have not received refunds yet, Citibank will initiate and complete a remediation process to reimburse those consumers.
- **End unfair billing practices:** Consumers will no longer be billed for the credit monitoring products if they are not receiving the promised benefits.
- **Cease engaging in illegal practices:** Citibank is prohibited from marketing all add-on products by telephone or at the point of sale, or engaging in attempts to retain consumers in these products by telephone, until it submits a compliance plan to the CFPB.
- **Pay a \$35 million penalty:** Citibank will make a \$35 million penalty payment to the CFPB's Civil Penalty Fund.

The CFPB is taking this action in coordination with the Office of the Comptroller of the Currency, which is separately ordering a \$35 million civil penalty and restitution from Citibank and Department Stores National Bank for some of the same illegal practices.

The full text of the CFPB's consent order is available

at:http://files.consumerfinance.gov/f/201507_cfpb_consent-order-citibank-na-department-stores-national-bank-and-citicorp-credit-services-inc-usa.pdf

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