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CFPB Orders GE Capital to Pay $225 Million in Consumer Relief for Deceptive and Discriminatory Credit Card Practices

Nearly 750,000 Consumers Harmed by Illegal Credit Card Practices

WASHINGTON, D.C. — The Consumer Financial Protection Bureau (CFPB) is ordering GE Capital Retail Bank (GE Capital), now known as Synchrony Bank, to provide an estimated $225 million in relief to consumers harmed by illegal and discriminatory credit card practices. GE Capital must refund $56 million to approximately 638,000 consumers who were subjected to deceptive marketing practices. As part of the joint enforcement action by the CFPB and Department of Justice, GE Capital must also provide an additional $169 million to about 108,000 borrowers excluded from debt relief offers because of their national origin. This order represents the federal government's largest credit card discrimination settlement in history.

"Today's action will provide $225 million in relief to GE Capital credit card customers who were harmed by deceptive marketing or discrimination," said CFPB Director Richard Cordray. "We will continue to take action against marketing tactics that trick consumers into buying credit card products they do not want or cannot use. Consumers also deserve to be treated fairly no matter where they live or what language they speak."

"The blatant discrimination that occurred here is unlawful and will not be tolerated. Borrowers have the right to credit card terms that do not differ based on their national origin, and the settlement today sends the message that the Justice Department can and will vigorously enforce the law against lenders who violate that right," said Acting Assistant Attorney General Jocelyn Samuels for the Civil Rights Division of the Department of Justice.

GE Capital changed its name to Synchrony Bank on June 2, 2014. GE Capital is a federal savings bank headquartered in Draper, Utah with assets totaling more than $39 billion. GE provides store-branded credit cards that are sold to consumers by merchants and retailers across the country. Today's enforcement action related to credit card add-on products stems from a CFPB examination which was conducted between December 2012 and February 2013. The action related to the discriminatory credit card practices resulted from GE Capital's self-reporting of the issue to the CFPB, which led to a joint investigation between the CFPB and the Department of Justice.

Deceptive Marketing

Bureau examiners identified several deceptive marketing practices used by GE Capital to promote its credit card add-on products. GE Capital offered five different debt cancellation add-on products: "Card Security," "Account Security," "Account Security Plus," "Debt Security," and "Debt Security Plus." GE promoted these products as

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Photos and bios

Director Rich Cordray

Deputy Director Steven Antonakes

Press contacts

Jen Howard
Assistant Director of Communications
(202) 435-7170
Jennifer.Howard@cfpb.gov

Walter Suskind
Press Assistant
(202) 435-9469
Walter.Suskind@cfpb.gov

Moira Vahey
Spokesperson
(202) 435-9151
Moira.Vahey@cfpb.gov

providing debt cancellation of a certain percent of the consumer's balance in the event of certain hardships like involuntary unemployment or disability. The Bureau found that GE Capital's telemarketers misrepresented these products to consumers in four main ways:

- **Marketed the product as free of charge:** Telemarketers led consumers to believe they would not have to pay for these products as long as they paid off the balance on their billing statement. In fact, consumers could only avoid the fee in very specific circumstances, such as if the account was not in use or if the customer had paid off the balance prior to GE Capital issuing its monthly billing statement.
- **Failed to disclose consumers' ineligibility:** In calls with telemarketers, many consumers mentioned that they were retired or disabled, which would mean that they were not eligible for key benefits of the products. Even after hearing this, the telemarketers neglected to tell the consumers that they would not be eligible for key debt cancellation benefits, and the consumers bought the products without this important information.
- **Failed to disclose that consumers were making a purchase:** In many cases, the telemarketers did not make it clear that consumers were purchasing a product. Rather, they made it seem like the consumers were receiving a benefit, updating their accounts, or that the telemarketers were handling other administrative tasks. In these conversations, it was not obvious to consumers that they were buying something and would be charged a fee.
- **Marketed products as a limited time offer:** Many customer service representatives falsely told consumers that these debt cancellation products were a "limited time offer." In reality, nothing about the availability of these products was limited. However, leading consumers to believe they had a short timeframe to sign up may have created a false sense of pressure and pushed them to enroll in the products.

Discriminatory Credit Practices

GE Capital had two different promotions that allowed credit card customers with delinquent accounts to settle their balances by paying off a specific portion of their debt.

- **Statement Credit Offer:** Customers with balances greater than $700, a credit score below 670, and whose minimum payment due was more than $150 were offered a credit of between $25 to $100 if they paid off their minimum amount due. This promotion ran from March 2010 to March 2012.
- **Settlement Offer:** Customers with balances greater than $200, a credit score within certain thresholds, four or more payments overdue, and no payments in the past 90 days received offers to waive their remaining account balance if they paid between 25 percent and 55 percent of what was owed. This promotion ran from January 2009 to March 2012.

GE Capital did not extend these offers to any customer who indicated that they preferred to communicate in Spanish or had a mailing address in Puerto Rico, even if the customer met the promotion's qualifications. This meant that Hispanic populations were unfairly denied the opportunity to benefit from these promotions. Such discrimination is in direct violation of the Equal Credit Opportunity Act (ECOA). The ECOA prohibits creditors from discriminating in any aspect of a credit transaction on the basis of characteristics such as race and national origin. In this case, the customers did not receive either offer in any language, including English, and did not know they were being discriminated against.

Sam Gilford
Spokesperson
(202) 435-7673
Samuel.Gilford@cfpb.gov

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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. The ECOA authorizes the CFPB and the DOJ to take action against creditors engaging in illegal discrimination. The CFPB is issuing a consent order as an administrative action covering both the deceptive marketing practices and the illegal discrimination. The DOJ's settlement on discrimination was filed in the U.S. District Court for District of Utah. The CFPB's order requires GE Capital:

- **End deceptive marketing practices:**GE Capital must cease its deceptive marketing practices. GE Capital ended all telephone-based enrollments for all of the add-on products involved in today's action in October 2012. GE Capital is prohibited from marketing or offering these products by telephone until it submits a compliance plan to the Bureau.
- **End illegal discrimination:** GE Capital must end all discriminatory credit practices. GE Capital has included qualified customers who prefer to communicate in Spanish and customers with a mailing address in Puerto Rico in the settlement offer since March 2012. GE Capital completely discontinued the statement credit offer in March 2012.
- **Provide $225 million to harmed consumers:** GE Capital must refund $56 million to the approximately 638,000 consumers who were affected by its deceptive marketing of the credit card add-on products. GE Capital must also provide $169 million in relief to about 108,000 borrowers excluded from debt relief offers because of their national origin. The $169 million represents the value of the offer that the consumer did not receive plus interest and indirect damages.
- **Conveniently provide consumer relief:** Consumers do not need to take action to obtain their relief. If the consumers still have credit cards with GE Capital, they have received or will receive a credit to their accounts or a check. If they no longer have credit cards with GE Capital, they will receive or have received a check in the mail or have charged-off balances reduced by the amount of the relief. If the relief is greater than the consumer's existing balance, the consumer will receive a check for the excess.
- **Notify credit reporting agencies of new information:** For those consumers who did not receive the debt relief offers, GE Capital will work with credit reporting agencies to ensure that any negative information associated with the consumer's GE Capital accounts as a result of these violations will be deleted from their credit history.
- **Forgive debt of accounts that did not receive debt relief offers:** For the customers that did not receive debt relief offers because they preferred to communicate in Spanish or had a mailing address in Puerto Rico, if GE Capital had written off or sold their debt, that debt will be forgiven.
- **Pay a $3.5 million penalty:** For its deceptive credit card marketing, GE Capital will make a $3.5 million penalty payment to the CFPB's Civil Penalty Fund. With respect to the illegal discrimination, the Bureau is not assessing penalties based on a number of factors, including that the company self-reported the violation, self-initiated remediation for the harm done to affected consumers, and fully cooperated with the Bureau's investigation.

The Bureau has ongoing supervisory authority over GE Capital and will continue to conduct examinations of GE Capital to ensure its compliance with federal consumer financial law.

The full text of the CFPB's Consent Order is available at: http://files.consumerfinance.gov/f/201406_cfpb_consent-order_synchrony-bank.pdf

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit www.consumerfinance.gov.