Prepared Remarks of CFPB Director Richard Cordray on the CareCredit Enforcement Action Press Call

By Richard Cordray

Today the Consumer Financial Protection Bureau is ordering GE Capital Retail Bank and its subsidiary, CareCredit, to refund up to $34.1 million to consumers who were victims of deceptive credit card enrollment tactics at doctors’ and dentists’ offices around the country.

When people seek medical care, they are in a particularly vulnerable situation. They are sick or injured, or maybe a loved one is in pain. They are usually filling in and signing multiple forms: insurance forms, HIPAA disclosures, and medical history paperwork. Unlike when they are at a bank or when they receive unsolicited mail, they are not “on guard” financially. They are not thinking carefully about the terms of a financial contract – fees, penalties, interest rates. Their focus is on getting physically better. So it is particularly important that a credit card company offering personal lines of credit to pay for health care is doing everything to the letter of the law – that they are treating people fairly, with dignity, and with the utmost transparency.

The CareCredit card is one of the largest cards in this niche of the credit card market. It is sold and offered by more than 175,000 enrolled providers across the country. Receptionists, office managers, and office staff have been selling it to patients when they were paying for their medical care, waiting to see the doctor or dentist, or maybe in between treatments. While the arrangement guarantees that the health-care provider gets paid, patients sometimes end up with huge credit card bills they cannot afford.

Our investigation showed that many patients thought they were signing up for an interest-free loan. Or they may have thought they were signing up for an in-house payment plan with their doctor. But the card was really a “no interest if paid in full” product that is a much trickier deal. The cards typically charge no interest for a promotional period – which ranges from six to 24 months – but they are accruing interest at a 26.99 percent rate the whole time. If the patient does not pay the complete balance by the end of the promotional period, the accrued interest is then applied in full. And, as is the case with many deferred-interest products, the 26.99 percent interest rate on the CareCredit card is substantially higher than the rate on standard, general-purpose credit cards that the patient might otherwise have used to pay the bill. The result can be that the patient is misled into signing up for a very expensive loan.

The Consumer Bureau came to this case after receiving substantial complaints from consumers. According to the order we are filing today, CareCredit has been engaged in harmful consumer practices since January 2009. During the course of our investigation, we found that many patients did not receive paper copies of the credit card agreement and instead relied on staff at health-care offices to explain it to them.
Some staff had received little or no training from CareCredit. Some providers themselves admitted that they were confused about the actual consequences of the deferred-interest terms.

Deferred-interest products can be risky for consumers in the best of circumstances and today’s action ensures that CareCredit will no longer be able to profit from consumer confusion. Today, we are ordering CareCredit to create a $34.1 million reimbursement fund. Consumers who may have wrongly accrued charges in connection to their card will be notified about their right to file a claim, which will be assessed by an independent adjudicator. We estimate that more than 1.2 million consumers were wronged and could be eligible for money from the reimbursement fund.

In addition, CareCredit will have to be more transparent to consumers about its product in the future. It must make consumers aware of the high interest rates that will be applied if the charge is not paid off at the end of the promotional period. In most cases, a CareCredit representative will have to call the consumer within three days of applying for the card to explain the terms of the deal. In addition, for certain transactions over $1,000, consumers will have to enroll directly through a CareCredit representative, and not through the doctor’s or dentist’s office. The company will also have to do more training of any health-care office personnel who are selling the product. And, they will have to warn consumers when the promotional period is ending.

The general-purpose credit card market often offers promotional rates with an interest-free period. Such cards typically involve no potential retroactive assessment of interest. But deferred-interest products are very different, and consumers often do not recognize the difference. In October, we issued a report to Congress on the CARD Act and the credit card market, and we identified deferred-interest products as an area of concern. As was true in this case, they can end up costing vulnerable consumers a lot of money.

We will continue to monitor these products carefully, and most especially we will not tolerate financial companies that take advantage of patients and their loved ones. Consumers paying for medical or dental procedures should not be asked to sign up for complex financial products whose key terms are not adequately explained. Medical debt is already a big problem for many Americans. Poor credit card transparency should not be making the problem even worse. Thank you.

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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 consumerfinance.gov.