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

Photos and bios

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

Mallory McLean
Regional Spokesperson
(202) 435-7955
Mallory.Mclean@cfpb.gov

Michelle Person
Spokesperson
(202) 435-7857
Michelle.Person@cfpb.gov
• **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.

**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:

###

*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](http://www.consumerfinance.gov).*
Prepared Remarks of CFPB Director Richard Cordray on the GE Capital Enforcement Action Press Call

BY RICHARD CORDRAY

Thank you for joining us on this call today. Today, the Bureau is ordering GE Capital Retail Bank, now known as Synchrony Bank, to provide $225 million in remediation to 746,000 consumers who were harmed by GE Capital’s deceptive credit card add-on practices and discriminatory debt relief promotions. This kind of conduct has no place in the consumer financial marketplace. People deserve to be given clear information and they deserve to be treated fairly.

Today’s action against GE Capital’s credit card add-on products is the result of a Bureau examination that began in December 2012. Our examiners found that the bank deceptively marketed the company’s suite of debt cancellation products. GE Capital had several versions of these products, all of which promised to cancel some percentage of consumers’ credit card debt if certain life events – like a disability or involuntary unemployment – occurred.

When consumers called GE Capital to inquire about something on their statement, they were often passed on to telemarketers who would try to sell them the add-on products. The Bureau found that the telemarketers misrepresented these products to consumers in four main ways.

First, the telemarketers led consumers to believe they would not have to pay for the products as long as they paid off their card balance. One customer service representative told a customer that the product “doesn’t have any charge if you don’t carry a balance” – which is simply untrue. Consumers could avoid the fee only in very specific and limited circumstances – if the account was not in use or if the customer had paid off the balance before GE Capital issued the monthly billing statement.

Second, in many cases, consumers mentioned that they were retired or disabled, which would mean that they were not eligible for the key benefits supposedly provided by the products. Even knowing this, the telemarketers never told the consumers that they were ineligible for key debt cancellation benefits and the consumers bought the products without this important information.

Third, the telemarketers often did not make it clear that consumers were actually purchasing these products. Rather, they made it seem like the consumers were updating their accounts or that the telemarketers were handling other administrative tasks. Telemarketers made statements like, “let’s just go ahead and update your card security today” or let’s “take care of your card security benefit.” Given this deceptive wording, it is no wonder that some consumers did not understand they were buying a product.

Fourth, 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. The telemarketers falsely led consumers to believe they had only a short time to sign up, which may have pressured them to sign up under conditions that were entirely made up.

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

Mallory McLean
Regional Spokesperson
(202) 435-7955
Mallory.McLean@cfpb.gov

Michelle Person
Spokesperson
These misleading tactics were compounded by the fact that consumers could not review the full terms of these products before enrolling in them, as the transactions occurred over the phone. GE Capital has now ended its practice of enrolling consumers for credit card add-on products over the phone, and customers who have not already received remediation will receive it in the coming months. Specifically, GE Capital must refund $56 million to approximately 638,000 consumers affected by GE Capital’s deceptive marketing. The bank must also pay $3.5 million in civil money penalties for its deceptive marketing. Altogether, in the six enforcement actions the Bureau has taken on credit card add-on products thus far, we have put roughly $1.5 billion back in the pockets of consumers.

In coordination with the Department of Justice, we are also taking action against GE Capital for violating fair lending laws by discriminating against Hispanic customers. Over the course of several years, the bank extended two separate debt relief offers to qualified customers. One offer gave customers with overdue accounts a credit of up to $100 if they paid the minimum amount due to make their accounts current. The other offer gave different customers with overdue accounts the opportunity to settle their outstanding balances for just a fraction of the total owed.

But GE Capital did not make these offers available to everyone on an equal basis. Instead, for customers who had indicated that they preferred to communicate in Spanish and for those with mailing addresses in Puerto Rico, GE Capital did not extend any of these offers, in any language. These consumers never knew they were missing out on anything and thus had no way of recognizing that they were even being discriminated against – which is often the challenge in confronting discrimination. At the Consumer Bureau, we are working diligently to right these kinds of wrongs. No one should be excluded from credit opportunities simply because of where they live or the language they speak.

The 108,000 borrowers who did not receive debt relief offers simply because they prefer to speak Spanish or have a mailing address in Puerto Rico will receive or have received $169 million in remediation. They will receive checks or credits to their accounts. If GE Capital had already written off or sold their debt, that debt will be forgiven. The bank will also work with the credit reporting agencies to ensure that any negative credit history that resulted here is deleted. No penalties were imposed for this violation based on the fact that GE Capital self-reported the violation and initiated remediation for the harm done to affected consumers.

I would like to thank the Department of Justice for their hard work and close partnership with us on this issue. We have been and will continue to be vigilant in taking action against those who deceive or discriminate against consumers. To date, this marks the third joint enforcement action we have taken with the Department of Justice to root out illegal discrimination, and together we have addressed over $280 million in consumer harm caused by discrimination. We are dedicated to making sure that in the consumer financial marketplace all people, regardless of race, national origin, or other protected status, are treated fairly. Thank you.

###

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](http://www.consumerfinance.gov).