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# Credit Card Battleground

## Card Companies Resisting Reforms

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Global Research, May 07, 2009
7 May 2009

Theme: Global Economy, Poverty & Social Inequality

***Will The US Senate Pass Long Needed Reforms Of Credit Card Abuses?***

I recently was advised by American Express, a company whose credit cards I pay in full each and every month, and with whom I have been a paying "member" since l981 that my credit card limit is being cut. I have become unworthy.

I took it personally until I realized I am but one of millions of card holders who are being dropped or cut back worldwide as the card pushers experience a higher default rate and millions max-out. American Express, by the way recently, reorganized as a "bank holding company" to qualify for a government bailout. AMEX received several billion dollars from that TARP program that we were told was created to get lending going again. Hmm….

As the card companies began to experience the losses and uncertainties that their customers have long experienced, they began operating in a more predatory manner, jacking up fees and putting the collection pressure on. In England, the government mandated that credit card companies give customers more time to pay—extending payment due dates by a month. In this country, the companies want us to miss those due dates so they can tack on forever escalating late charges and interest payments. These credit card costs have gone UP even as interest rates—the amount they pay for money– goes DOWN.

This has become a major political issue.  Consumer's Union reports  that " President Obama is throwing his support behind major credit card reform, and the House just overwhelmingly passed its bill by a vote of 357 to 70!

But the Senate is bitterly divided**…**The Senate may vote next week on its bill to curb these random rate hikes and fees. But the bank lobby is swarming Washington , claiming if they can't randomly hike your interest rate, consumers will suffer."

The credit card companies are squealing than any restrictions on them will hurt the economy, drive prices up, and lead to financial Armageddon or worse. Most cardholders know that they will be hurt more unless something changes. For many credit cards have gone from a luxury to a necessity to a noose. Millions have become prisoners of debt, almost as if they are serfs and as if capitalism is going back in time to feudalism.

The average card rate is a whopping 14%. But that can climb easily to over 30%.

The way these companies exploit customers is legendary and has been tolerated for too long as many media outlets report:

• **US News**: The advertised annual percentage rate on 15 Capital One cards increased from an average of 12.45 percent to 17.24 percent.

• **MSNBC**: Citibank, and HSBC, are now raising rates on millions of customers.

•**NPR**. American Express announced it's offering $300 payments to a limited number of cardholders who agree to close their accounts.

•**The New Yorker**: "These tactics are not going to improve the credit-card industry's dismal reputation. They're also not going to help an economy in recession, since reduced credit lines take away an important cushion for consumer spending, and higher interest rates and increased fees are likely to drive more people to default.

•**Wall Street Journal**: How are credit-card issuers reacting to consumers' attempts to live a more financially responsible lifestyle? They're threatening to cut their credit cards off if they don't spend enough.

•**Bloomberg**: About 45 percent of U.S. banks reduced credit limits for new or existing credit-card customers in the fourth quarter of 2008

• **Miami Herald**: Interest rates are rising, their credit limits are shrinking, new fees are cropping up, the time to pay their bills is decreasing — or their cards have been cut off altogether.

•**New Rules:** Little attention has been given to the $48 billion in fees that credit card companies extracted from merchants last year. Largely invisible to the public, these fees, which amount to $427 per household, are ultimately passed on as higher prices to all consumers, whether they use plastic or not. These fees, known as interchange, are set by the credit card processors: Visa, MasterCard, and American Express, which together control 93% of all card transactions in the United States .

Current credit card company losses may be behind the current round of gouging but they are nothing new. It is also part of the attempt to resuscitate our speculative economy based on credit and debt. Public debt is at its highest since the l950s. Deficits are growing along with federal borrowing even as tax revenues collapse. These trends show that a squeeze on consumers will continue and could get worse.

What's even worse is that the whole government strategy with its emphasis on trying to get lending going again seems bent on returning us to the status quo ante, a failed system designed around promoting more and more consumption.

"That's the root of the credit crisis today and the economic crisis," argues professor Ben Barber, author of CONSUMED, "The United States today has a gross national product 72% of which is consumption. 72%. …So the question is, how can America have a sustainable capitalism when it depends on selling people stuff they don't need they don't want and they can't afford …"

Barber fears that the Obama economic plan like the Bush post 911 " time to go shopping again" faith-based "plan," is, "Let's get people getting those credit cards again. Let's get people to the mall. Let's get people spending again…. Unfortunately the new economic team of the new president may be saying somewhat the same thing. Let's meet this world crisis by getting Americans back to the mall, getting them back to their credit cards, getting them to be able to buy the houses again they still can't afford."

Adds Economist Max Wolff: "And a bigger question to me is will we see a structural change or will we go through a long bad recession while we waste our money struggling to rebuild an unsustainable system that should have never been erected in the first place?"

So, dear American Express, thank you for your concern about my economic well being, for protecting me from my own financial situation, and for rewarding my loyalty by abandoning your own.

Oh, yes, good luck in keeping the company going even as your own bonds are now considered JUNK. Last year you cut 10 percent of your work force with profits off; more recently thanks to monies from our government and more people living off their cards you are doing better.

Your last quarter brought in a net income of $437 million with revenue at $5.93 billion, an 18 percent drop from $7.24 billion in the quarter a year ago. Your net charge-offs, a measure of bad loan write-offs, rose to 8.5 percent from 7 percent in the previous quarter.

Maybe it was all my card. Perhaps I was the problem. I will soon be gone.

Also, thank you for once again funding the Tribeca Film Festival which may have been one reason the Festival turned down my film In Debt We Trust.

No fear, even as I charge it, I know, contrary to your marketing slogan, my card is not my life.

*Mediachannel News Dissector Danny Schechter made the film IN DEBT WE TRUST exposing credit card practices. He is following up with a film based on his book PLUNDER (newsdissector.com/plunder) Comments to dissector@mediachannel.org*

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