

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

Using a Credit Card: Your Rights and Responsibilities

Regardless of whether you're using your credit card to buy a laptop or laundry soap, you have rights and responsibilities under the law. The Federal Trade Commission, the nation's consumer protection agency, says getting a good grip on the safe use of credit cards can help you avoid a credit calamity.

Prompt Credit for Payment. It's important to pay your bill on time. If you don't, you may have to pay late fees and additional finance charges.

When you make a payment, your card issuer generally must credit your account the day they receive it, but there are exceptions.

- Your issuer is not required to credit your payment that day if you don't make the payment according to its requirements. For example, your issuer can set a reasonable cut-off hour for your payment to be received for crediting on that day.
- Your issuer can require that you provide an account number or payment stub with your payment.
- Your issuer doesn't have to credit your account the day your payment is received if a delay won't result in a charge to you.

To help avoid additional charges, follow your issuer's payment instructions. Sending your payment to the wrong address – even if the payment is received by some office of the issuer – could delay crediting your account for up to five days. If you pay by mail and misplace your payment envelope, look for the payment address on your billing statement or call the issuer for the correct address. If you pay your bill online, set up a reminder a week or so before the bill is due to be sure you pay on time and to the proper electronic address. Set up a return electronic notice, showing the company received your online payment. No matter what method you use, check your billing statement to be sure you have the right due date (and the time of day it must be received) for each account.

Automatic debiting to your bank account can be a convenient way to pay bills in a timely way, but there are considerations. For example, the amount due each month could vary, and you would need sufficient funds in your bank account to pay it; otherwise, you could overdraw your account, be charged for insufficient funds, and damage your credit rating. Under federal law, you cannot be required to use automatic debits from your bank account to repay an extension of credit.

If you decide to set up automatic debits, the creditor must:

- disclose the terms of the transfers in a clear and understandable way;
- have you sign a written or electronic authorization; and
- give you a copy of the authorization, disclosing the terms.

Refunds of Credit Balances. If you have a credit balance on your account, perhaps because you returned an item, you can keep the credit on your account or write your issuer for a refund if the amount is more than a dollar. Your card issuer must send you a refund within seven business days of receiving your request. If you don't ask for a refund and you don't make any other purchases for more than six months, the issuer must make a good faith effort to send you a refund.

Errors on Your Bill. Card issuers must follow rules for correcting billing errors promptly. They must send you a statement outlining these rules when you open an account, and then, at least once a year while your account is open. In fact, many creditors routinely include a summary of these rights with your billing statements.

If you find a mistake on your bill, you can dispute the charge and withhold payment on that amount while the charge is being investigated. The error might be a charge for the wrong amount, for something you didn't accept, or for an item that wasn't delivered as agreed. You still have to pay any part of the bill that's not in dispute, including finance and other charges not related to the disputed amount.

To dispute a charge:

- Write to the issuer at the address indicated on your statement for "billing inquiries." Include your name, address, account number, and a description of the error.
- Send your letter as soon as possible. It must reach the issuer within 60 days after the issuer mailed you the first bill with the error.

The issuer must acknowledge your complaint in writing within 30 days of receiving it, unless they've resolved the problem. The issuer must resolve your dispute within two billing cycles or 90 days, whichever is later.

Unauthorized Charges. If your credit card is used without your permission, you can be held responsible for up to \$50. If you report the loss before the card is used, you can't be held responsible for any unauthorized charges. But if a thief uses your card before you report it missing, the most you will owe for unauthorized charges is \$50. If the thief uses your card number – but not your card – you are not liable for the unauthorized charges.

To minimize your liability, report a loss as soon as possible. Some issuers have 24-hour toll-free telephone numbers to accept emergency information. It's a good idea to follow-up with a letter: include your account number, the date you noticed your card missing, and the date you reported the loss. Keep a copy of the letter for your files.

Disputes about Merchandise or Services. You generally can dispute charges for unsatisfactory goods or services (including issues about the quality of an item) if you made a good faith effort to resolve the dispute with the seller, if the charge is for more than \$50, or if you made the purchase in your home state or within 100 miles of your current billing address. In addition to disputing the charge with the issuer, you may want to consider filing an action against the merchant in small claims court.

Tips for Using Your Credit Card Safely

- Never lend your card to anyone.
- Never sign a blank charge slip. Draw lines through blank spaces on charge slips above the total so no one can change the amount.
- Never put your account number on the outside of an envelope or a postcard.
- Be cautious about disclosing your account number on the telephone or online unless you know the person or website you're dealing with represents a reputable company.
- When you go out, carry only the cards you expect to use that day. If your wallet or purse is lost or stolen, that minimizes your loss and the resulting headache.
- Keep your receipts so you can reconcile the charges on your bill.
- Keep a record – in a safe place separate from your cards – of your account numbers, expiration dates, and phone numbers of each creditor to report a loss quickly.

To learn more about credit issues, visit ftc.gov/credit.

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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