

# CREDIT CARD SCAMS

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## What is a Credit Card Scam?

Simply put, a credit card or debit card “scam” or fraud occurs when someone uses your credit or debit card information without your permission. A scam may be as complicated as someone posing as a representative of your bank in order to get your credit card information, or someone posing as an employee of a company offering fabulous prizes in a sweepstakes who “only” needs your credit card number to cover shipping costs. A scam might also be as simple as someone looking over your shoulder and writing down your card number and password for their personal use.

## How Do I Know if I Have a Debit Card or a Credit Card?

Credit cards and debit cards are both kinds of “electronic money” that you can give retailers instead of cash. It is important to know which kind of card you have because there are different procedures you need to follow for each type of card when your card is used without your permission.

- A **debit card** (also called a check card) combines the functions of an ATM card and a check. You can use a debit card to both get money from an ATM machine or to pay for items at a store. With a debit card, the money you spend is automatically deducted from your bank account so there are never any loans or interest charges.
- A **credit card** is basically an expensive short term loan, where you can “charge” items up to your “credit limit” (the maximum amount of the loan). When your bill comes, you pay the amount of the loan back. If you are unable to pay the bill in full each time it arrives, you will also need to pay interest to the credit card company. Some credit cards also charge “annual fees” and might also charge different rates for cash advances than for purchases.

## How Could I Be “Scammed”?

Most debit/credit card fraud involves lost or stolen credit cards, but it can also occur when you do not properly dispose of documents, like credit card bills, debit card statements, or receipts showing your personal account information. You might also be “scammed” when someone sees or hears your account or card number and copies it down for personal use, or when you willingly give it out to someone, like a telemarketer, who proceeds to use it improperly.

## How Can I Prevent Being Scammed?

Although you have the right to dispute charges made to your debit and credit cards without permission, protesting these charges can be frustrating and time-consuming. There are many easy changes you can make in your everyday routine that lessen your chances of being scammed.

- **Do not carry more debit or credit cards with you than you plan to use.** Keep the cards you do not regularly use in a safe place or cancel the cards that you do not need, since you may not notice they are missing as soon as those you use regularly.

- **Do not write your PIN numbers on your cards or keep them in your wallet or purse.** Memorize your PIN (personal identification number) and do not give it out to anyone else.
- **Do not tell others your debit card or credit card number.** All thieves need is your number to rack up charges by Internet shopping or telephone and mail order charges.
- **Do not give your Social Security number, mother's maiden name or account numbers to strangers who contact you, especially by phone, Internet or mail.** Scammers sometimes pose as business, bank or government representatives to get you to reveal personal information. Legitimate financial or government organizations that do business with you already have this information and will not ask for it by calling or e-mailing you.
- **Check billing statements, receipts, and other documents carefully to make sure they are accurate.** After you have checked your documents, either put them in a safe place or tear them up into tiny pieces so thieves are not able to take advantage of information on them.
- **Make sure all blank spaces are filled in or crossed off.** When filling out a charge slip to pay a bill, always figure the total and leave no blank spaces so additional charges cannot be added without your knowledge. *Only* sign charge slips that are completely filled in and totaled.
- **Call your bank or credit card company if you have not received a new card or a monthly bill that you know should be arriving.**
- **Do not write your card number, account number or any other personal identifying information (like your Social Security number) on a postcard or outside of an envelope.**
- **Tear or shred charge receipts, copies of credit applications, insurance forms, physician statements, bank checks and statements, expired charge cards and credit offers you get in the mail**
- **Keep a record of your card numbers, their expiration dates, and the phone number and address of each card company in a secure place** so that you can report missing or stolen cards as soon as you notice the loss/theft.

### **What Do I do if I Think I Am a Victim of a Scam?**

The federal government has passed laws to protect people who have been victims of credit card or debit card scams. These laws outline strict procedures that both you, and the credit card companies and banks have to follow in order to resolve the fraud. It is important for you to understand the procedures that the credit card companies are required to follow because, in some situations, you may be entitled to financial benefits if the companies do not exactly follow the procedures.

#### **A. Debit Card Fraud – The Electronic Fund Transfer Act**

This is the primary federal law outlining procedures in instances of fraud involving electronic transfers like those that occur when using debit cards. The law limits the amount you are responsible for on charges made to your card without your permission.

**1. What If My Debit Card Is Lost or Stolen?** – REPORT the loss or theft AS SOON AS POSSIBLE. Usually companies have a 24 hour customer service line.

- If you report the missing card *before any charges are made* you cannot be held liable for unauthorized charges on the card.
- If you report the missing card within *2 days*, the law limits liability for charges to **\$50** for charges made after you discover the loss or theft, but before you report the missing card.
- If you report the missing card *more than 2 days* after discovering it missing, but *within 60 days* of the transmission of the statement showing the charges you did not make, you are liable for up to **\$500** of unauthorized charges.
- If you *do not report* your loss *within 60 days* of the date of the statement showing the charges you did not make, your liability is **unlimited** – meaning you have to pay for *all charges* made on the card without permission.

You may notify the bank of the lost card over the phone. If the thief has not used your card yet, the bank will simply cancel your debit card and issue you a new one, without any charges to you. It is good to follow your call up with a letter.

**2. What If I Notice Strange Charges on My Bank Statement?** – NOTIFY the bank WITHIN 60 DAYS of receiving the statement.

- Your bank has *10 business days* from the date of receiving your notification of a problem with your account to investigate and report its findings to you. The bank may request that you give them additional written notification.
- If the bank needs more than 10 days for its investigation, it may take up to 45 business days, but must **deposit the amount of money in dispute into your account for the remainder of the investigation**. The bank can take this money out of your account at the end of its investigation if it finds that the charges are correct. It is advisable not to spend this money until the investigation is complete.
- If the bank finds an error, it must correct the mistake within 1 business day of completing its investigation. If it finds no errors, the bank must notify you in writing of its determination within 3 days of completing its investigation.
- The bank is required to give you copies of all documents it relied upon to make its decision if you request them.

You can notify your bank of the error on your statement over the telephone.

### 3. *What Should My Notice to the Bank Include?*

In any telephone call or letter to your bank to report an error on your statement, you should include:

- your name and address
- the date
- your account number
- a notice that you believe an error has been made on your statement (your statement does not accurately reflect charges that you have made on your card)
- the amount of the error, and
- the reason you believe there is an error (i.e. “My card has been missing since (date) and I did not make the following charge(s) on this account.”)

Be sure to include copies (not originals) of relevant documents, like sales slips or receipts that support your position. Send your letter by *registered or certified mail* so you can later verify that it arrived at your bank. Keep a copy of the dispute letter and all documents you receive from the bank in return. Log any calls by describing any conversations you have with the bank about this matter. Follow these calls with a letter to make sure you have a written record of any discussions concerning the matter.

### 4. *What If My Bank Does Not Follow the Rules for Disputes?*

If your bank does not abide by the rules for settling disputes, you are entitled to an award of damages that is three times the actual amount of money you lost due to the bank’s failure to act properly.

## **B. Credit Card Fraud – The Fair Credit Billing Act**

Like the laws dealing with debit cards, there are very specific procedures that both you and the credit card company must follow when dealing with possible cases of fraud.

### **1. *What If My Credit Card is Lost or Stolen?* – REPORT the loss or theft AS SOON AS POSSIBLE.**

- If you report your card missing **in writing** *before any new charges* are made, you cannot be held liable.
- If you notify your credit card company **in writing** of an unauthorized charge *within 60 days* of the date on the incorrect statement, your total liability will be limited to **\$50**.

If you do not notify your credit card company in writing, or you notify the company more than 60 days after receiving the statement with the unauthorized charge(s), the company is not required to investigate the matter and your liability is unlimited – meaning YOU have to pay for all charges made on the card without permission.

- Your credit card company must acknowledge receipt of your letter within 30 days of receiving it unless the error your report is corrected within that time.
- When the company identifies an error in your billing statement, it has 2 billing periods (no greater than 90 days total), to either correct the error, or explain to you, in writing why it believes the amount on the statement is correct.

**You must notify** your credit card company *IN WRITING* if you want to dispute any unauthorized charges to your account. If you only call your credit card company it does not have any responsibility to investigate your account and you will be liable for all charges on the credit card statement.

## **2. What Should My Written Notice to My Credit Card Company Include?**

Any written notice to your credit card company should include:

- your name and address,
- your account number,
- a notice that you believe an error has been made on your statement,
- the amount of the error, and
- the reason you believe an error has been made (i.e. “My card has been missing since (date) and I didn’t make the following charge(s) on this account.”)

You should also *send your letter by certified mail*, so that you can verify the date the credit card company receives it. You should also include copies (not originals) of relevant documents like receipts or sales slips that support your position with your letter to the credit card company. Send the letter to the address for “*billing inquiries*” on your credit card statement, not to the address where you send your checks to pay your bills. . *Keep copies* of the notice you send, any letters or documents the credit card company sends you in response, and a log of all calls you have with the credit card company regarding the fraud. These records might become important later if the credit card company disputes any part of your claim.

## **3. What If My Credit Card Company Does Not Correct the Error?**

- During the 2-billing cycle/90-day period for investigation, the credit card company *cannot report or threaten to report* the disputed amount as delinquent to credit reporting agencies or other creditors. Also, the credit card company cannot restrict or close your account because of failure to pay the disputed amount. However, it *can* apply the disputed amount towards your credit limit and charge you interest on the disputed amount. If the credit card company later agrees with you that there was an error on your statement, it must subtract the interest already charged on the amount found to be in error.
- If your credit card company sends you an explanation of its findings stating that it will not correct the error on your statement, you have the

right to challenge its decision by writing another letter to the credit card company *within 10 days* of receiving the decision.

- The letter should include all of the same information as your first letter reporting the error on your billing statement. You should explain that you still believe you do not owe the amount in question and refuse to pay it.
- The credit card company *can report* your account as delinquent to a credit reporting agency, but it must also *include a statement* to the effect that you don't believe you owe the money.

**4. *What If My Credit Card Company Does Not Abide by the Rules for Disputes?***

If the credit card company does not comply with the above time limits, it must *credit you the disputed balance or \$50*, whichever is less. You will get to keep this even if it is later found that the amount billed to your statement was correct.

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