

WASHINGTON- Congressman Spencer Bachus passionately believes that lending institutions should not be allowed to raise a customer’s rates during a promotional period for a new account. Congressman Bachus, Chairman of the Subcommittee on Financial Institutions and Consumer Credit, offered an amendment to the Fair and Accurate Transactions Act that would end the practice of “bait and switch” by credit card issuers.

“Bait and Switch” is the practice of raising credit card rates based on information from the customer’s credit report. The amendment would ban card users from using any negative information in a customer’s credit report to increase the annual percentage rate on the account, unless the customer misses a payment on the account itself. “It is fair to penalize someone for paying their bills late, but it is unfair to raise the percentage when the bills are paid on time”, Bachus said. “It’s no secret why some people get a credit card application every day in the mail. The companies want consumers with less than perfect credit reports so they can raise the rates on them.”

Bachus continued, “Are we actually saying here in America that to maintain the financial safety and soundness of institutions, we have to allow baiting and switching? Financial institutions talk about “risk management”. But aren’t you increasing risk when you increase a low-income American’s interest rate up to 19.9%? Aren’t you increasing risk to the consumer’s profitability? ‘Repriced cost’ is just a nice way of saying ‘shifting the cost to the consumer’. And this is done even when the consumer is complying in his agreement with the company.”

Though this amendment failed to gain a majority when the committee voted, Congressman Bachus pledged to continue to work to eliminate this unfair practice.