

Credit and Debit Card Scams

What is a credit card scam?

It happens when someone uses your credit or debit card info without your permission. It may be complicated: someone poses as a representative of your bank to get your credit card info. Or they pose as an employee of a company offering fabulous prizes in a sweepstakes who “only” needs your credit card number to cover shipping costs. It might be simple: someone looks over your shoulder and writes down your card number and password for their own use.

Do I have a debit card or a credit card?

Credit and debit cards are kinds of “electronic money” you can give retailers instead of cash. Know which kind of card you have. Each type of card has different procedures to follow when someone else uses your card without your permission.

- A **debit card** (or **check card**) combines the functions of an ATM card and a check. You can use it to get money from an ATM machine or pay for items at a store. The money you spend is automatically deducted from your bank account. There are never any loans or interest charges.
- A **credit card** is like an expensive short-term loan. 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 cannot pay the bill in full each time it arrives, you must also pay interest to the credit card company. Some credit cards also charge **annual fees**. They might also

charge different rates for cash advances than for purchases.

How could I be “scammed?”

Most debit and credit card fraud involves lost or stolen cards. It can also happen when you do not properly dispose of documents like credit card bills, debit card statements, or receipts showing your personal account info.

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 then uses it improperly.

How can I avoid being scammed?

You have the right to dispute charges made to your debit and credit cards without permission. Protesting these charges can be frustrating and take time. You can make many easy changes in your everyday routine to avoid being scammed in the first place.

- **Do not carry more debit and credit cards than you plan to use.** Keep the cards you do not regularly use in a safe place OR cancel the cards you do not need. 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). Do not give it out to anyone else.
- **Do not tell others your debit or credit card number.** All thieves need is your number to rack up charges by

online shopping or phone and mail order charges.

Do not give your Social Security number, mother's maiden name or account numbers to strangers who contact you, especially online, by phone or mail. Scammers sometimes pose as business, bank or government representatives to get you to give them personal info. Real financial or government organizations that do business with you already have this info. They will not call or e-mail you to ask for it.

- Check billing statements, receipts, and other documents carefully. Make sure they are accurate. After checking your documents, put them in a safe place or tear them into tiny pieces. Use a shredder, if you can. Thieves might try to take advantage of info 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. Leave no blank spaces. This way, no one can add extra charges without your knowledge. *Only* sign charge slips that are completely filled in and totaled.
- Call your bank company or credit card company if you have not gotten a new card or monthly bill you know should be arriving.
- Do not write your card number, account number or any other personal identifying info, 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. Then you can report missing or stolen cards as soon as you notice the loss or theft.

I think I am a victim of a scam. What should I do?

Federal laws protect victims of credit card or debit card scams. The laws outline strict procedures you, the credit card companies and banks must all follow to resolve the fraud. Make sure you understand the procedures credit card companies must follow. You may be entitled to financial benefits if they do not exactly follow the procedures.

A. Debit Card Fraud – The Electronic Fund Transfer Act

This federal law outlines what to do if someone commits fraud against you in an electronic transfer. **Example:** using your debit card. 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 are not responsible for unauthorized charges on the card.
- If you report the missing card within *two days*, the law limits your responsibility to **\$50** for charges

made after you discover the loss or theft, but before you report it.

- If you report the missing card *more than two days* after discovering it missing, but *within 60 days* of the transmission of the statement showing the charges you did not make, you are responsible for up to **\$500** of unauthorized charges.
- If you *do not report* your loss *within 60 days* of the date of the statement showing charges you did not make, your responsibility is **unlimited**. You must pay for **all charges** made on the card without permission.

You can notify the bank of the lost card by phone. If the thief has not used your card yet, the bank will simply cancel your debit card and issue you a new one, with no charges to you. Follow your call up with a letter.

2. What if I notice strange charges on my bank statement?

NOTIFY the bank WITHIN 60 DAYS after you get the statement.

- Your bank has *ten business days* from the date it gets your notification of a problem with your account to investigate and report its findings to you. The bank may ask you to give them more written notification.
- If the bank needs more than ten days for its investigation, it may take up to 45 business days. If it does, it must **deposit the amount 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 the charges are correct. Do not spend this money until the investigation is done.

- If the bank finds a mistake, it must fix it within one business day of finishing its investigation. If it finds no errors, the bank must notify you in writing of its determination within three days after the investigation ends.
- The bank must give you copies of all documents it relied on to make its decision if you ask for them.

❖ You can notify your bank of the error on your statement by phone.

3. What should my notice to the bank say?

In any phone call or letter to your bank to report an error on your statement, say:

- your name and address
- the date
- your account number
- 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
- The reason you believe there is an error (**example**: “My card has been missing since (date). I did not make the following charge(s) on this account.”)

You should 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 prove your bank got it. Keep a copy of the dispute letter and all documents you get from the bank in return. Write notes about any conversations you have with the bank about this matter. Follow up these calls

with a letter confirming what you and the bank said.

4. What if my bank does not follow the rules for disputes?

You may be entitled to an award of damages for the amount you lost due to the bank's failure to act properly.

B. Credit Card Fraud – The Fair Credit Billing Act

You and the credit card company must follow specific procedures 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 are not responsible for the unauthorized charges..
- If you notify your credit card company **in writing** of an unauthorized charge *within 60 days* of the date on the incorrect statement, your responsibility will be no more than **\$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 charges, the company does not have to investigate the matter and YOU must pay for all charges made on the card without permission.

- Your credit card company must let you know it got your letter within 30 days, unless the error in your report is fixed within that time.

- When the company identifies an error in your billing statement, it has two billing periods, no more than 90 days total, to fix the error **or** explain to you in writing why it believes 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 to investigate your account. You will be liable for all charges on the credit card statement.

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- ❖ You should send your letter to the credit card company **at the address given for billing inquiries**, not the address for sending your payments.
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2. What should my written notice to my credit card company say?

It should say:

- your name and address
- your account number
- you believe an error has been made on your statement
- the amount of the error
- The reason you believe it is an error.
Example: "My card has been missing since (date). I did not make the following charges on this account."

Send your letter by certified mail, so you can verify the date the credit card company gets it. Include copies, not originals, of documents like receipts or sales slips that support your position. 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 back, and a log of all your calls with the credit card company about the fraud. You will need these later if the credit card company disputes any of your claim.

3. What if my credit card company does not fix the error?

During the two-billing cycle/90-day period for investigation, the credit card company **cannot report or threaten to report** the disputed amount to credit reporting agencies or other creditors. The credit card company cannot limit or close your account because you do not pay the disputed amount. It can apply the disputed amount towards your credit limit and charge you interest on the disputed amount. If the company later agrees 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 fix the error on your statement, you can challenge its decision by writing another letter to the credit card company within ten days of getting the decision.

The letter should have all the same info as your first letter reporting the error on your billing statement. Explain that you still believe you do not owe the amount in question, and refuse to pay it.

The credit card company **can now report** your account to a credit reporting agency. It must also **include a statement** that you do not believe you owe the money.

4. My credit card company does not follow the rules for disputes. What can I do?

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

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