



# PRESS RELEASE

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**FOR IMMEDIATE RELEASE**  
**December 19, 2008**

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## **FDIC Announces \$114 Million Settlement With Subprime Credit Card Company Charged With Deceptive Credit Card Marketing**

The Federal Deposit Insurance Corporation (FDIC) announced today a settlement with CompuCredit Corporation, Atlanta, Georgia (CompuCredit), a company charged with deceptive marketing of subprime credit cards with three FDIC-supervised banks in violation of the Federal Trade Commission Act (FTC Act). Two of the banks previously settled with the FDIC.

The settlement will result in an order that will correct the FTC Act violations, and provide restitution of approximately \$114 million to consumers in the form of credits for certain fees arising from the deceptive marketing practices. Eligible consumers whose current balances are less than the amount of credits to be applied will receive cash refunds, the aggregate amount of which is estimated to be approximately \$3.7 million. All other eligible consumers will receive credits only. No action by consumers is required; eligible consumers will be contacted directly by CompuCredit. The credits and cash refunds will be verified by an independent accounting firm acceptable to the FDIC. The order also includes a civil money penalty (CMP) of \$2.4 million.

In addition to restitution and a CMP, the order requires that credit card solicitations that include representations about credit limits or available credit disclose clearly and prominently, and on the same page, fees and other restrictions affecting initial available credit. The order also includes a broad prohibition against misrepresentations in the marketing of open-end credit products. In agreeing to the issuance of the order, CompuCredit does not admit or deny any liability.

"The enforcement actions brought by the FDIC and the settlement reached today underscore the FDIC's commitment to address the harm suffered by consumers due to inadequate credit card disclosures and predatory lending practices, particularly with certain subprime credit products, whether the harm is caused by FDIC-supervised banks or their institution-affiliated parties," said FDIC Board member Thomas J. Curry.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at [www.fdic.gov](http://www.fdic.gov), by subscription electronically (go to [www.fdic.gov/about/subscriptions/index.html](http://www.fdic.gov/about/subscriptions/index.html)) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). **PR-142-2008**

"An institution's board of directors and senior management are ultimately responsible for managing activities conducted through third-party relationships, and identifying and controlling risks arising from such relationships, to the same extent as if the activity were handled within the institution." Director Curry also noted that the FDIC's Guidance for Managing Third-Party Risk, issued June 6, 2008, reinforces this principle.

The FDIC commenced enforcement actions on June 10, 2008, against CompuCredit, First Bank of Delaware, Wilmington, Delaware (FBD), and First Bank & Trust, Brookings, South Dakota (FBT), for violations of the FTC Act in connection with the marketing of three types of credit card products. The most significant claims, in terms of restitution, relate to a fee-based credit card that was marketed to consumers with low credit scores. The FDIC alleged that the solicitations failed to adequately disclose significant upfront fees and misrepresented the consumer's initial available credit. The solicitations appeared to offer credit cards with a \$300 credit limit; however, consumers were immediately charged as much as \$185 in inadequately disclosed fees, leaving them with as little as \$115 in available credit.

Columbus Bank and Trust Company (CBT) settled with the FDIC prior to litigation by agreeing to a Cease and Desist Order requiring, among other things, clear and prominent disclosures of all fees and restrictions that affect initial available credit and a CMP in the amount of \$2.4 million. CBT also agreed to a back-up restitution provision in the amount of \$7.5 million, to be paid in the event CompuCredit did not provide restitution.

On October 9, 2008, FBD also settled with the FDIC on terms similar to those in the CBT settlement, except that the back-up restitution provision was smaller, and FBD also agreed to develop and implement, with the assistance of an outside consultant, significantly enhanced plans, policies, and procedures to improve its compliance management systems, particularly with respect to the oversight of third-party lending partners. FBD also agreed to reduce the number of its third-party lending relationships and paid a CMP of \$304,000.

Separately, the Federal Trade Commission (FTC) announced settlement of its parallel federal court action against CompuCredit and Jefferson Capital Systems, a subsidiary of CompuCredit, for violations of the FTC Act and the Fair Debt Collection Practices Act (FDCPA).

Copies of the FTC settlement and the FDIC's Order to Cease and Desist, Order for Restitution, and Order to Pay are available at each agency's Web site. The FTC's Web site may be found at <http://www.ftc.gov>, and at the FDIC's Web site at <http://www.fdic.gov>.

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**Attachment:**

[Order to Cease and Desist; Order for Restitution; and Order to Pay \(PDF Help\)](#)