



PRESS RELEASE

Federal Deposit Insurance Corporation • Each Depositor insured to at least \$250,000

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FDIC Announces Settlement With Advanta Bank Corporation for Deceptive and Unfair Practices

Today the Federal Deposit Insurance Corporation (FDIC) announced a settlement with Advanta Bank Corporation, Draper, Utah (Advanta), for deceptive and unfair practices in violation of section 5 of the Federal Trade Commission (FTC) Act.

Under the settlement, Advanta has agreed to an order to cease and desist, to pay restitution, and to pay a civil money penalty in the amount of \$150,000. In addition, restitution of approximately \$14 million will be paid to businesses that used Advanta's Cash Back Reward program and \$21 million to accountholders whose accounts were repriced. In agreeing to the issuance of the order, Advanta did not admit or deny any liability.

Advanta's "Cash Back Reward" program advertised a percentage of cash back on certain purchases by business credit card accountholders. Due to the tiered structure of the cash back payments, however, the advertised percentage was not available for all purchases. As a result, it was effectively impossible to earn the stated percentage of cash back reward payments. The FDIC concluded that the Bank's solicitations were likely to mislead a reasonable customer and that the representations were material and that therefore, the Bank engaged in a pattern of deceptive acts or practices in violation of Section 5.

In addition, numerous complaints were filed regarding Advanta's substantial annual percentage rate (APR) increases on the accounts of small business owners and professionals, who had neither exceeded their credit limits nor were delinquent in making payments on their accounts. The FDIC determined that Advanta's rate increases had been implemented in an unfair manner, that Advanta failed to adequately notify accountholders that their APR had increased, the amount of the increase, the



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.

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reason for the increase, the procedures to opt-out and the consequences of an opt-out. The repricing caused substantial injury to customers, withheld and/or provided inadequate information that could have enabled the customer to reasonably avoid the injury, and provided no benefit to the customer or competition.

"The Advanta settlement demonstrates the FDIC's commitment to having banks take responsibility for ensuring that they do not engage in unfair or deceptive acts or practices in connection with the banking products and services they offer," said FDIC Board member Thomas J. Curry. "Any person doing business with an insured depository institution can expect to be treated fairly, and any such entity that engages in unfair or deceptive acts or practices should be aware that the FDIC will pursue such practices with all of the legal authority at our disposal."

Copies of the FDIC's Order to Cease and Desist and Order to Pay issued against Advanta are available at the FDIC's website at <http://www.fdic.gov>.

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