



PRESS RELEASE

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

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Media Contact:
David Barr
(202) 898-6992
dbarr@fdic.gov

FDIC Announces Settlement With American Express Centurion Bank for Unfair and Deceptive Practices

FOR IMMEDIATE RELEASE

Today, the Federal Deposit Insurance Corporation (FDIC) announced a settlement with American Express Centurion Bank, Salt Lake City, Utah, (Bank) for unfair and deceptive marketing practices related to credit card "add-on products," in violation of Section 5 of the Federal Trade Commission (FTC) Act.

This action results from a review of the Bank's credit card products by the FDIC and the Consumer Financial Protection Bureau (CFPB). As part of the settlement, the Bank stipulated to the issuance of a Consent Order, Order for Restitution, and Order to Pay Civil Money Penalty (collectively, FDIC Order). The FDIC Order requires the Bank to pay a civil money penalty (CMP) of \$3.6 million. The CFPB is also taking a parallel enforcement action against the Bank for the same practices and will assess a separate CMP of \$3.6 million. Together, the FDIC and CFPB will require restitution of no less than \$40.9 million to harmed consumers.

The Office of the Comptroller of the Currency (OCC) and the CFPB also announced actions against other American Express affiliated institutions for the same unfair and deceptive practices identified in those institutions. Collectively, these actions will result in restitution of approximately \$59.5 million to more than 335,000 consumers.

The FDIC determined that the Bank violated federal law prohibiting unfair and deceptive practices by, among other things:



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, by subscription electronically (go to 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-124-2013

- Misrepresenting to consumers the benefits and costs of its "Account Protector" add-on product. Consumers were led to believe that the benefits would continue for up to 24 months in the event of a qualifying life event, when in fact the majority of events had benefit periods of one, two, or three months. Consumers were also led to believe that if they purchased the product their monthly minimum payment would be cancelled in the event of a qualifying event. However, the benefit payment was limited to 2.5% of the consumer's outstanding balance, up to \$500, which could be less than the minimum monthly payment.
- Misrepresenting the terms and conditions of the "Lost Wallet" add-on product through telemarketing calls conducted in Spanish to consumers in Puerto Rico. American Express did not provide uniform Spanish language scripts to its customer service representatives for enrollment calls, and all written materials provided to consumers were in English.
- Consumers were not informed during telemarketing calls or during the enrollment process for identity theft products that two steps were necessary to fully utilize credit monitoring and public records monitoring benefits. The second step was not completed by 85 % of consumers. These consumers were thus unfairly billed for benefits they did not receive.

In addition, the Order requires the Bank to take affirmative steps to correct its marketing and billing practices, and to ensure that all of the add-on products offered by the Bank are marketed and administered in compliance with applicable laws.

A copy of the FDIC's Order is available at the FDIC's website at www.fdic.gov.

Attachment:

Consent Order, Order for Restitution, and Order to Pay Civil Money Penalty - PDF (PDF Help)

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