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Consumer Advocates Applaud CFPB for CareCredit Enforcement Action

CFPB Urged to Ban Deceptive Deferred Interest Plans

(BOSTON) Advocates from the National Consumer Law Center applauded the CFPB's enforcement action today against CareCredit, a subsidiary of GE Capital. The CPFB ordered CareCredit to refund up to $34.1 million to potentially more than one million patients who were deceptively enrolled for medical credit cards offered by CareCredit at the offices of dentists, vision care, cosmetic, and other healthcare providers. "For years, we've been raising concerns about the abuses of medical credit cards," stated Chi Chi Wu, staff attorney at the National Consumer Law Center. "The last thing that vulnerable patients need when faced with expensive medical procedures not covered by insurance is a high cost credit card. It can add hundreds or even thousands more to their medical debt."

One particularly troublesome feature of the CareCredit card was its deferred interest plan. These plans are promoted as having a "no interest" or "0% interest" promotional period, but there is a big catch; the patient must pay off the entire balance by the time the promotional period ends. If the patient leaves any amount unpaid, CareCredit will charge interest retroactively back to the date when the charges for the medical procedure were first made.

The CFPB's enforcement action primarily focuses on deceptive enrollment practices, including the failure of providers to adequately explain the deferred interest terms and give copies of the credit card disclosures to patients. However, even with the best disclosures, deferred interest plans can present serious financial risks to consumers.

For example, even if they understand the complicated terms of a deferred interest plan, some patients may find themselves unable to pay off the entire balance due to job loss or other financial crisis. These patients, who are the economically most stressed, may then find themselves saddled with large retroactive interest charges. NCLC advocates urged the CFPB to go further by banning deferred interest plans on credit cards.

"Deferred interest plans are one of the nastiest tricks and traps that remain after the Credit CARD Act reformed the worst abuses of the industry," said Lauren Saunders, managing attorney for the National Consumer Law Center. "It's a loophole created by regulations and it can be eliminated by regulation."

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