

Banks collect overdraft opt-ins through misleading marketing

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CRL survey finds low opt-in rate, high number of misconceptions

Banks use scare tactics and other misleading practices to persuade consumers to opt into high-cost overdraft programs for debit card purchases, a new CRL survey finds. Even so, the survey finds, most consumers choose not to opt in. The survey results contradict claims that consumers overwhelmingly want to sign up to pay nearly \$35 on average each time they overdraw their checking account by a small amount with their debit card.

The survey finds that of the 33 percent of respondents who did opt in:

- Sixty percent said an important reason they did so was to avoid a fee if their debit card was declined. In fact, a declined debit card costs consumers nothing.
- Sixty-four percent said an important reason they did so was to avoid bouncing paper checks. In fact, opt-in rules cover only debit card and ATM transactions.
- Almost half of those who opted in wanted in part to simply stop the bank's barrage of opt-in messages by mail, phone, email, on-line and in person.

The Federal Reserve last year sought to address widespread abuse in overdraft "protection" programs by requiring banks and credit unions to obtain customers' opt-in before charging debit card overdraft fees, rather than automatically enrolling them. The survey confirms that many financial institutions do more than ask; they succeed in confusing and wearing down many customers into accepting a product with unnecessary, exorbitant fees.

Unfair overdraft fees cost Americans \$24 billion a year, driven largely by high fees on small debit card transactions. Consumers can accumulate several fees a day, and some banks drive the numbers up further by subtracting larger transactions first, thus emptying an account faster and putting more purchases in the red.

Neither Citibank nor Bank of America approves debit card transactions for a fee. They say their customers' don't want it. But many other banks and credit unions still engage in this unfair practice. The Fed and other regulators should implement reforms that financial institutions can't circumvent through high-pressure, deceptive marketing.

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See the full report:

<http://www.responsiblelending.org/overdraft-loans/policy-legislation/regulators/banks-misleading-marketing.html>