



Amy Domini

CREDIT SHOULDN'T COST THIS MUCH



Taking action against predatory credit card practices.

PEOPLE OFTEN SAY TO ME, "WHAT'S NEXT? WHAT ARE YOU MAD ABOUT?" TODAY, my answer is plastic cards. Credit cards and bank ATM cards were created to help people. I'm old enough to remember well pulling out my checkbook and two forms of identification whenever I made a non-cash purchase. It was tiresome to stand in line behind other customers and wait as they flipped to the page where the running tally was kept and noted what was left in the checking account. Bank cards and credit cards, along with the electronic infrastructure to support them, make my life better and the store owner's simpler. But the thrill is gone. These cards are ripping people off and it makes me mad.

According to Consumers Union (CU), the large American consumer advocacy group, banks collect an estimated \$7.98 billion in fees from overdrafts triggered by debit and ATM transactions. That's because rather than notifying the consumer that a particular transaction will overdraft the account, the banks eagerly allow it. They argue that it's a service, but I say it's a forced expense. After all, nearly half the people polled by CU assumed their banks would deny a debit transaction or allow it to go through without a charge—until they found out otherwise the hard way.

Credit card abuse is also rampant. Fees, not interest, now account for 39 percent of the revenue for credit card issuers, according to R.K. Hammer, a bank card advisory firm. One example of predatory practices is called double cycle billing. This happens when a credit card holder pays interest on money that's already paid back. Let's say you owe \$1,000 at the beginning of a billing

cycle and pay \$500 toward the balance. Under double cycle billing you'll be charged interest on all \$1,000 in the next cycle.

Thank goodness, regulators are taking note. The European Commission took credit card executives to task for exorbitant fees, and in April, MasterCard agreed to lower fees to roughly 38 percent of the previous levels (in Europe only). MasterCard didn't do this willingly and has taken the matter to the courtroom. In the U.S., Congress is debating regulations aimed at unfair practices. As the European Commission was acting, the U.S. Senate Banking Committee approved a bill that would stop many such practices. The bill would require 45 days advance notice of interest rate hikes and end the double cycle billing.

Responsible investors are at the forefront of the challenge. We've taken the lead with credit card companies, as we did with predatory lenders in the housing markets 10 years ago. In the fall of last year, a coalition

of investors affiliated with the Interfaith Center on Corporate Responsibility, including Domini Social Investments, filed shareholder resolutions that will appear on the ballots of the three biggest U.S. credit card companies: Citigroup, JPMorgan Chase and Bank of America. These resolutions call on these multinational firms' boards of directors to assess the extent to which they use predatory practices. If you hold shares in these companies, please consider voting for these proposals. This group has also engaged in dialogue with American Express, Discover, Capital One and Wells Fargo.

There's much to admire about plastic money. Credit cards offer entrepreneurs with little or no collateral a way to finance the start-up of their small businesses. They certainly allow the young to build a credit history, making possible a mortgage one day. But the shift from making money by floating a loan to making money by charging fees on actions the consumer didn't even know could be taken (like overspending an account) is destroying any goodwill I might harbor for the industry. As was the case with predatory mortgages, predatory card practices are hurting people and squelching hope. Investors of goodwill, take note.

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