



The Wall Street Journal Europe
1200 Brussels
0032/ 2 741 1211

Medienart: Print
Medientyp: Publikumszeitschriften
Auflage: 71'348
Erscheinungsweise: 5x wöchentlich

Themen-Nr.: 225.18
Abo-Nr.: 1091698
Seite: 20
Fläche: 16'792 mm²

American Express To Settle U.S. Case

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WASHINGTON—American Express Co., the largest U.S. credit-card lender by spending, has agreed to pay \$112.5 million, including \$85 million to about 250,000 customers, to resolve a federal investigation that uncovered illegal card practices, regulators said Monday.

Banking regulators allege that American Express charged unlawful late fees, misled consumers about debt collection and discriminated against new account applicants on the basis of age. The probe by federal officials found violations at various points between 2003 and 2012.

In addition to the payments to customers, federal agencies have ordered American Express to pay a total of \$27.5 million in monetary penalties—a \$14.1 million fine to the Consumer Financial Protection Bureau, \$3.9 million to the Federal Deposit Insurance Corp., \$9 million to the Federal Reserve and \$500,000 to the Office of the Comptroller of the Currency.

The consumer bureau Monday said that a multipart federal investigation found consumer-protection

law violations “at every stage of the consumer experience,” including at the marketing level, enrollment stage, at the point of payment and during debt collection.

Federal and state regulators said they uncovered the violations during a routine examination of the firm’s Centurion Bank. Regulators said they also found similar problems at American Express Travel Services Co. Inc. and American Express Bank, FSB.

Mike O’Neill, a spokesman for American Express, said the company has established reserves in previous quarters for a “substantial portion of these fines and estimated card-member refunds.”

“The company is continuing its own internal reviews and also cooperating with regulators in their ongoing examination of add-on products in accordance with an industry-wide review,” Mr. O’Neill said.

American Express stopped marketing certain add-on products earlier this year, including a payment-protection service called Account Protector and a service called ID Protect, Mr. O’Neill said, noting the

services are not “a core line of business” for the company.

The firm warned earlier this year that regulators were investigating its practices. It disclosed in an annual report filed with the Securities and Exchange Commission in February that the FDIC, the Utah Department of Financial Institutions and the CFPB were looking into its late-fee and other practices. The company at the time said the FDIC was likely to take an enforcement action against it, and that the Utah banking regulator and CFPB were likely to join.

American Express expects that consumers who will be receiving payment will receive the payout by no later than March 15, 2013, the CFPB said in its notice.

The CFPB, created in wake of the recent financial crisis, announced its first enforcement action in July, when Capital One Financial Corp. agreed to pay a \$210 million to address its sales of credit-protection products.

—Andrew R. Johnson
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