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## **U.S. Supreme Court High Fee Credit Card Decision Lets Predatory Lenders Escape Justice** *CompuCredit Corp. v. Greenwood Decision Denies Basic Legal Right to Day in Court*

(Washington, DC) The U.S. Supreme Court today issued a decision that shuts the courthouse door to the most vulnerable of consumers victimized by abusive credit card lenders. In *CompuCredit Corp. v. Greenwood*, the Supreme Court held that consumers who were sold predatory fee-harvester cards by CompuCredit cannot sue, even though Congress gave them that right, but instead must seek justice in a biased, secret and lawless system of forced arbitration that is rigged in favor of credit card companies, banks and other big corporations. (See links to related previously released NCLC publications at the end of release.)

“This Supreme Court decision benefits the worst of the worst, a company that has been sued by regulators and made hundreds of millions by selling useless, deceptive high cost credit cards that gouged consumers unconscionably,” stated Chi Chi Wu, staff attorney at National Consumer Law Center (NCLC). Wu noted that the CompuCredit “Aspire” card at issue in the Supreme Court case featured a credit limit of \$300, but automatically charged a \$150 annual fee, a \$29 initial finance fee, and a \$6.50 monthly participation fee – **an instant debt of \$185.50 before a single purchase was made**. The consumer was then left with credit of only \$114.50.

CompuCredit’s cards were often targeted at consumers with limited means, including communities of color. The company has been sanctioned by the Federal Trade Commission and the New York State Attorney General’s office for its deceptive practices. Plaintiff Wanda Greenwood had sued under the Credit Repair Organizations Act, a law Congress passed to protect consumers against companies that falsely offer to repair bad credit. Though that law required CompuCredit to give a notice telling Greenwood: “You have a right to sue a credit repair organization that violates the [Act],” the Supreme Court held that she only had a right to the notice, not an actual right to sue, which the arbitration clause trumped.

However, Congress has given the new U.S. Consumer Financial Protection Bureau power to regulate or ban forced arbitration if necessary to prevent unfair, deceptive or abusive practices. With President Obama’s recess appointment last week of Richard Cordray as the Bureau’s director, the CFPB can get started on the study of arbitration that is required first under the statute.

“This Supreme Court decision makes it all the more urgent for the Consumer Financial Protection Bureau to stop companies from using forced arbitration clauses to hide from the law,” stated Lauren Saunders, managing attorney of National Consumer Law Center’s Washington, DC office. “Forced arbitration puts a thumb on the scales of justice in favor of predatory lenders like CompuCredit.”

### **Related NCLC publications:**

[\*Forced Arbitration: A Biased System of Private Justice\*, April 2010](#)

[www.nclc.org/images/pdf/credit\\_cards/fee-harvesters-report.pdf](http://www.nclc.org/images/pdf/credit_cards/fee-harvesters-report.pdf)

*Fee-Harvesters: Low-Credit, High-Cost Cards Bleed Consumers*, Nov. 2007  
[www.nclc.org/images/pdf/credit\\_cards/fee-harvesters-report.pdf](http://www.nclc.org/images/pdf/credit_cards/fee-harvesters-report.pdf)

(This report highlighted the abusive CompuCredit card and helped lead to a 25% cap on fees in the Credit Card Responsibility, Accountability, and Disclosures (CARD) Act of 2009.)

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The National Consumer Law Center® (NCLC®) is a non-profit organization specializing in consumer issues on behalf of low-income and other vulnerable people. Since 1969, NCLC has worked with legal services and nonprofit organizations as well as government and private attorneys across the United States, to create sound public policy for low-income and elderly individuals on consumer issues.