

Press Releases

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OTS 09-038 - OTS Executes Enforcement Actions with American Express Bank

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CONTACT:
William Ruberry
(202) 906-6677
(202) 368-7727 - cell

Washington, D.C. — The Office of Thrift Supervision (OTS) announced today the execution of two enforcement actions with American Express Bank, FSB, of Salt Lake City for unfair practices with consumers.

The cease-and-desist order and civil money penalty of \$250,000 involve “convenience checks” that the bank sent to credit card customers but then declined to honor because of changes in customers’ credit ratings or credit limits. The declined checks resulted in returned-check fees and other costs, and may have resulted in negative reports to credit rating agencies.

“Consumer protection is an essential part of our mission,” said OTS Acting Director John E. Bowman. “The enforcement actions today demonstrate that the OTS is committed to using its authority to ensure fair treatment of consumers.”

American Express, or AmEx, has discontinued its convenience check program until the bank can offer a program that does not raise regulatory concerns.

AmEx agreed to establish a \$1.5 million reserve to reimburse affected consumers \$160 for each declined convenience check and to pay legitimate claims above that amount. AmEx agreed to add to the reserve as necessary.

AmEx will also send letters to affected consumers to help them clear up any problems the returned checks might have caused with credit reporting agencies or bad check registries.

The OTS exercised its authority under Section 5 of the Federal Trade Commission (FTC) Act prohibiting unfair or deceptive acts or practices, as well as an OTS Prohibition Against Misleading Representations. The bank consented to the enforcement orders without admitting or denying any violations.

The Federal Deposit Insurance Corporation announced today that it took separate action against another subsidiary of American Express for similar unfair practices in violation of Section 5 of the FTC Act.

The OTS enforcement orders are attached:

- Order to Cease and Desist - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2009-38a.pdf>
- Civil Money Penalty - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2009-38b.pdf>