

FACT SHEET

Issue Statement:

Does a credit card company have any responsibility to protect its customers from deceptive practices of online merchants or is the consumer solely responsible?

Background:

Cyberrebate.com was an online retailer that offered rebates up to 100 percent of the purchase price on products that it sold at highly inflated prices. On May 16, 2001 this merchant declared bankruptcy owing over \$80 million in unpaid rebates to 200,000 people in the United States and Canada.

Former customers are disputing their credit card charges because they feel they have not received all goods and services contracted for at the time of the purchase citing the “billing error” clause of the Fair Credit Billing Act (FCBA), a subsection of the Truth in Lending Act (TILA). The credit card companies claim that they cannot be held liable for these charges since the rebate was separate from the underlying credit transaction. The credit card companies also argue that the rebate was neither a good nor a service and thus non-receipt of the rebate cannot be considered a billing error.

Stakeholders:

This issue concerns consumers as well as state and federal consumer protection agencies and watchdog groups. The issue also concerns credit card companies as well as the state and federal agencies that regulate the banking industry.