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> CFPB TAKES ACTION AGAINST COMPANIES FOR UNFAIR BILLING OF CREDIT CARD ADD-ON PRODUCTS AND SERVICES

JUL 1 2015

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Consumers Billed for Credit Reporting and Identity Theft Protection Benefits They Did Not Receive

WASHINGTON, D.C. — Today the Consumer Financial Protection Bureau (CFPB) took action against two credit card add-on product vendors – Affinion Group Holdings, Inc., Affinion’s affiliated companies, and Intersections Inc. – for unfairly charging consumers for credit card add-on benefits they did not receive. Under the proposed consent orders, Affinion would pay approximately \$6.8 million in monetary relief for eligible consumers who have not yet received refunds and \$1.9 million in civil money penalties, while Intersections would pay approximately \$55,000 in monetary relief to eligible consumers who have not yet received refunds and \$1.2 million in civil money penalties.

“Consumers have every right to get what they pay for,” said CFPB Director Richard Cordray. “But we are still finding that thousands of consumers paid for add-on benefits they were promised but never received. We continue to address unlawful conduct in this space and are signaling to other financial institutions and their service providers that their marketing and billing practices must be fair to consumers.”

Credit card companies often offer their customers “add-on” services such as “credit monitoring” or “identity theft protection” for a monthly or annual membership fee. The add-on products are usually sold either by the bank itself or through a third-party vendor authorized by the bank to sell the product. Affinion and Intersections, both vendors of these types of products, partnered with banks to provide these products to credit card holders and other bank customers. The CFPB’s investigations revealed that Affinion and Intersections engaged in unfair practices related to the billing or administration of these products in violation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

Today’s two actions build on several of the Bureau’s past actions against banks to address illegal practices in the marketing or administration of add-on products. This is the first time the Bureau has brought actions directly against the companies that provided these products and services.

Affinion

Affinion Group Holdings, Inc., and its affiliated companies, which include Affinion Group, Inc., Affinion Group, LLC., Affinion Benefits Group, LLC., Trilegiant Corporation, Watchguard Registration Services Inc., and Global Protection Solutions, LLC., are all Delaware corporations based in Connecticut or Tennessee. Collectively, these companies advertised, sold, and delivered identity theft and credit monitoring

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products to consumers by establishing marketing and service agreements with banks. The CFPB's complaint alleges that from about July 2010 through August 2012, Affinion enrolled consumers in add-on products that claimed to provide consumers with benefits including credit monitoring, credit report retrieval, or both. Consumers generally paid between \$6.95 and \$15.99 per month for these products, which were typically billed directly to their credit cards or deposit accounts. The Bureau alleges, however, that Affinion or its partner banks billed full product fees to at least 73,000 accounts while failing to provide the full credit monitoring or credit report retrieval services promised, and failed to refund fees to those consumers.

During customer retention calls, the CFPB also alleges that Affinion frequently misled consumers about product benefits through inaccurate or incomplete retention phone call scripts, and statements, and omissions by individual retention specialists.

As a result, the CFPB alleges consumers were:

- **Billed for product benefits they did not receive:** Under Affinion's telephone enrollment process, consumers purchased the product over the phone, but Affinion or its partner banks could not provide full product benefits until they had obtained a written authorization from the consumer by mail. In many cases, significant time elapsed before Affinion obtained the consumer's authorization or never obtained it at all. Despite not having a consumer's written authorization and not providing full product benefits, Affinion and its partner banks still billed them the full product fee once the consumer enrolled over the phone. In other instances, consumers were billed full product fees but did not receive the promised benefits because of service delivery errors, such as not being able to authenticate the consumers with one or more credit bureaus or the consumer lacking sufficient credit history.
- **Misled about product benefits and value to avoid cancellations:** To prevent consumers from cancelling their membership, Affinion retention specialists gave consumers inaccurate or incomplete information about the value and benefit of add-on products. For example, during some calls, Affinion retention specialists claimed they could directly remove inaccurate information from consumers' credit reports and raise their credit score as a result. In fact, Affinion had no control over the information contained in a consumer's credit report, and they could only help dispute it.

Intersections

Intersections, a Delaware corporation based in Virginia, provided credit monitoring and identity theft products to consumers primarily through arrangements with approximately 35 bank clients. The Bureau's complaint alleges that from 2009 through early 2013, Intersections marketed and sold add-on products to consumers, promising them access to their credit reports and a credit score, email, or phone alerts when new credit accounts were opened, and access to a phone representative to respond to their credit report questions. Consumers generally paid between \$8 and \$13 per month for these products, which were typically billed directly to their credit cards.

The CFPB alleges Intersections billed or instructed the banks to bill approximately 300,000 consumers who signed up for their products knowing they were not receiving all the benefits for which they paid.

As a result, the CFPB alleges consumers were charged fees even though Intersections could not provide the credit monitoring or other benefits for various reasons, including: failure to obtain a valid authorization from the consumer, fraud alerts on a consumer's credit file, and incomplete social security information, among others. In some cases, consumers paid for these services for several years without receiving the promised benefits.

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The vast majority of the approximately 300,000 affected consumers have already received refunds, in part as a result of prior Bureau enforcement actions. The CFPB estimates approximately \$55,000 in consumer harm is still owed.

Enforcement Actions

Pursuant to the Dodd-Frank Act, the CFPB has the authority to take action against institutions engaging in unfair, deceptive, or abusive practices.

Under the terms of the proposed consent order filed today, Affinion would:

- **Reimburse consumers who have not already received refunds for unfair billing practices:** Affinion would pay a full refund, approximately \$6.8 million, to approximately 73,000 eligible consumers who enrolled in the credit monitoring products between July 2010 and August 2012 and were charged for services that were not received, but who have not already received refunds.
- **End unfair billing practices:** Consumers will no longer be billed for credit monitoring services if they are not receiving the promised benefits.
- **End unlawful retention practices:** If an Affinion customer currently enrolled in certain products contacts Affinion to cancel their membership, Affinion would have to immediately cancel the product and not attempt to persuade the customer to retain the product.
- **Pay \$1.9 million civil money penalty:** Affinion would pay \$1.9 million to the CFPB's Civil Penalty Fund.

Under the terms of the proposed consent order filed today, Intersections would:

- **Reimburse consumers who have not already received refunds for unfair billing practices:** Intersections would pay a full refund, approximately \$55,000, to customers who, for at least one month, were billed for identity theft or credit monitoring products, but were not receiving full product benefits, and who have not previously received refunds.
- **End unfair billing practices:** Consumers will no longer be billed for certain credit monitoring services if they are not receiving the promised benefits.
- **Pay \$1.2 million civil money penalty:** Intersections would pay \$1.2 million to the CFPB's Civil Penalty Fund.

The proposed consent orders are not findings or rulings that Affinion or Intersections have actually violated the law. The Affinion consent order was filed in the U.S. District Court for the District of Connecticut, while the Intersections consent order was filed with the U.S. District Court for the Eastern District of Virginia. The orders would have the force of law only if approved by the courts.

A copy of CFPB's complaint filed against Affinion can be found at:

http://files.consumerfinance.gov/f/201507_cfpb_complaint_affinion.pdf

A copy of the proposed consent order filed today in the Affinion action can be found at:

http://files.consumerfinance.gov/f/201507_cfpb_stipulated-final-judgment-and-order_affinion.pdf

A copy of the CFPB's complaint filed against Intersections can be found at:

http://files.consumerfinance.gov/f/201507_cfpb_complaint-INTX.pdf

A copy of the proposed consent order filed today in the Intersections action can be found at:

http://files.consumerfinance.gov/f/201507_cfpb_stipulated-consent-order-INTX.pdf 

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.



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