The Elderlaw Forum: Retirement may increase credit card rate

by Professor_Michael_Myers

Banks loan more money than its borrowers can repay; and they know it.

Conversely, consumers borrow more money than they can repay; but they generally donâ€™t know it.

Why, you might ask, do banks loan money to people without the capacity to repay? Why do they blanket the post office with pre-approved credit cards? Why do they indiscriminately loan money to unemployed high school students, debt-ridden college students, bankrupt adults, and indebted seniors living on social security?

In part, the answer is â€œuniversal default,â€• a diabolical, oppressive and one-sided contract provision found within the legalese of credit card agreements. It permits credit card lenders to increase interest rates on prior loans whenever they believe their risk has increased because of unrelated conduct by the credit card holder.

For example, if you are one day late on a utility payment; or your marital status changes, or your credit score changes, or if you retire on a fixed income, the bank has the legal prerogative to unilaterally, without notice, increase the interest rate established at the time of the original transaction.

â€œI have had a stable interest rate for years on my VISA card,â€• said a senior legal helpline caller. â€œI have never missed a payment; in fact I have always made payments substantially higher than the required amount. Now, out of the blue, the bank increased my interest rate by almost 5 percent.â€•

The caller is 64 and recently retired. Her husband died last year from cancer. Earlier this year a daughter sustained brain damage in a car accident; and, she has another daughter who is developmentally disabled. Life has taken a hard turn. She wishes to leave Arizona and return to her childhood home in Vermont.

Now she finds herself in the jaws of a credit card system facilitated by a Congress addicted to and dependent upon campaign contributions from the finance lobby and enforced by a legal system that treats â€œcongressional briberyâ€• - but not â€œjudicial briberyâ€• - as free speech.

I expect the reason the bank increased her rate was because first, it can; secondly, it is more profitable to do so; and thirdly, it will use her retirement as the excuse for having done so. Banks view fixed-income retirement as a risk.

(Pro bono legal information, advice and limited assistance is available through the USD Senior Legal Helpline; 1-800-747-1895; mmyers@usd.edu. Opinions solely those of the author and not the University of South Dakota.)