

Although typical, the six billing methods by no means exhaust the possibilities. And all variations, with the possible exception of return credits, are open to bank revolving credit plans. Obviously, you can't make the most economic use of a charge account unless you understand its billing system thoroughly. But, as Professor Morse found, the essential facts cannot readily be obtained.

APPENDIX B

The following is a selection of letters written to Consumers Union by readers in 1966 and 1967, all complaining about revolving credit billing methods.

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Reading your magazine has made us increasingly aware of deceptive practices such as the one mentioned in the following letter.

MACY'S,
Customer Relations,
Herald Square, New York, N. Y.

Dear Sir: Your letter of 1/21/67 confirmed the fact that your service charge of $1\frac{1}{2}\%$ per month is applied to items at their initial billing. This in fact means that, on the initial billing, customers having a C-T type account are actually paying up to 45% per month service charge depending on the date they charge items in relation to your billing date.

I can only assume that some loophole in New York law permits this seemingly usurious practice as this is not true of *any* of the several extended payment plan accounts which I hold in New Jersey, e.g. Sears, Bambergers, Chase. *All* the other accounts charge a $1\frac{1}{2}\%$ per month service charge on the unpaid balance from the previous billing.

Accordingly, I am herewith returning my Macy's charge plate together with a check for \$57.87 to cover the balance due on my account. Please close my account immediately. I realize that this misunderstanding is most likely my own fault as I should have read the *fine print* more carefully. However, I wonder how many of your C-T account customers realize the true amount of service charge they are paying. Let the buyer beware!

P.G.,
Summit, N. J.

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In your May [1967] issue a reader brought to your attention confusing statements issued by Sears Roebuck & Co. in regards to interest charges.

I was recently surprised to learn that the Sears method of charging interest on 30-day or revolving accounts is not what it appears to be. Most customers and most Sears employees, including those in the credit department, assume that the method used by Sears is the same as that used by other department stores and by oil company credit card systems. This is not true. Sears does not charge $1\frac{1}{2}\%$ per month on the unpaid balance. It charges interest on the total amount of the previous billing, regardless of the size of payment made, exclusive of a full payment.

As an example: a purchase of \$100 is made and a billing is sent to the customer. The customer then pays \$50. The next billing shows a \$50 balance due plus \$1.50 ($1\frac{1}{2}\% \times \$100$) service charge, not \$0.75 ($1\frac{1}{2}\% \times \$50$) as one would expect. Thus, it is theoretically possible for a customer to pay the full \$100 and then receive a billing with a balance of \$0.00 but an interest charge of \$1.50. Fortunately, Sears does not go that far in this unscrupulous practice.

I hate to admit that after many years of using my Sears account I was never aware that I was paying such a high rate of interest. How many of your readers are aware of this?

W. L.,
Norwalk, Calif.

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To add more fuel to your truth in lending campaign, it may be of interest to your readers that even such an otherwise reputable store as Sears may charge interest rates as high as 72 per cent per annum. Sears basic rate of interest on a revolving charge is 18 per cent per annum ($1\frac{1}{2}\%$ per cent per month) but it is based on the end of month balance. If a customer bought a \$200 item on January 23 and was billed for this on January 30, and he paid \$100 on the same day, he would pay $1\frac{1}{2}\%$ per cent on \$200 or \$3, the equivalent of 72 per cent simple interest per annum.