If this is what reputable stores are charging, what are the less reputable doing?

R. T.,
Pittsburgh, Pa.

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Enclosed is a copy of my letter to Klein's Department Store requesting that they close my account and stating the reason therefore. I am confident that Klein's will not give me much trouble over this, but it occurred to me that thousands of customers accept these charges without realizing the true interest, especially if the "minimum" service charge is applied where the time payment plan is actually being used.

[The enclosed letter follows]

PRESIDENT,
S. Klein on the Square,
Stamford, Conn.

SIR: The enclosed statement reflects a balance which is comprised entirely of service charges. Since I pay my entire purchase invoices due on the 15th day of every month, I do not pay or honor service charges. Unfortunately, I am quite busy and I must select one monthly remitting date for all accounts (this is the 15th.). If your organization finds it convenient to choose the 15th, or 17th, as a billing date that is your concern. However, I will not honor erroneous service charges arising from this practice.

The enclosed statement contains a service charge of $0.50 on a balance of $4.25, all of which consists of previous erroneous service charges. This comes to interest *annual* of *141.7* charged on prior interest. This usurious practice of Klein's is by far the worst I have encountered in all my experience with department stores, discount stores, credit cards, etc. You are competing successfully with the loan sharks if this type of item is generally collectable in your experience.

I am destroying my charge card. Please close my account and I refuse to be responsible for any charges after the above date.

[End of enclosed letter]

Another practice that I have noticed, is that some stores will compute the service charge on the entire balance carried forward from the previous month, even though they may have entered a credit for a substantial payment. Thus charges are made on the amount remitted which obviously should not be included in the time balance.

S. W.,
Philadelphia, Pa.

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I had a revealing experience with the Sears Roebuck credit system recently. It involved the purchase of two chairs on January 12th, and the monthly statement on the 18th that listed them accurately at $175. We were temporarily short, so I figured that a check for $100 would leave only $75 which at 1½% for a month would cost me about $1.13. So on February 2nd we mailed a check for $100. Imagine our surprise when the statement arrived on February 18th. It showed a balance owned of $75 which was correct, and a service charge for $2.63!

Inquiries at the local store established that the charge was figured on the previous month's balance, that is 1½% on $175. I protested that the initial $100 had been paid well within the 30-day limit for cash-charge conditions but the only response was that the system was set up on the previous month's balance. I finally reached one official who read a regulation to the affect that since this was my first experience with their system, they would refund the fee charged on the $100 that I had paid, but they could not be this generous the next time.

After reaching the hierarchy in the Chicago office, I established that my first payment was unusually large and thus the system slipped and charged me what seemed too much. They would be glad to adjust this, and if ever this occurred again, just call. I was left with the impression that if we had paid just $20, they would have assessed me for 1½% of $175 and I would not have noticed the difference, in the February billing.