

**MEMO**



DEC 13 2010

*Senate of Pennsylvania*

December 10, 2010

**TO:** ALL SENATORS

**FROM:** Stewart J. Greenleaf

*Stewart*

**SUBJECT:** Cosponsorship -- **Credit and debit card blocking**

I am reintroducing **Senate Bill 181**, enacting the Credit Blocking Regulation Act to establish limitations on credit card and debt card blocking by the retail industry and providers of travel services. Many consumers are unaware of a business practice called "blocking." When a consumer uses a credit or debit card to rent a car or reserve a hotel room, for example, the business may electronically request the bank, which issued the credit or debit card, to block or reserve a portion of the consumer's line of credit or checking account, to pay for the actual charges and any possible incidental charges (i.e., food, beverages). The business may block a consumer's line of credit or bank account for more than 100% of the anticipated amount so that any incidental charges are covered as well. This hold usually is not released until the business electronically notifies the issuer of the card. It may take several days or as long as two weeks after payment for the blocked amount to be removed and the actual or final charge to be credited or debited against the consumer's account.

The Federal Trade Commission (FTC) indicates that the practice of blocking is legal and the amounts that can be blocked vary widely among businesses. While a business may use blocking to ensure that a consumer has enough cash or credit line to cover the final charges, the FTC says that there are no regulations on how much may be blocked on the consumer's account or for how long. Businesses are not required to disclose to consumers that they block. My bill makes it unlawful for any merchant (in the retail industry or a provider of travel services) to impose a block on a consumer's account or line of credit that is greater than 120% of the consumer's actual purchase on their debit or credit card. The FTC says that it is not unusual for a business to reserve about 20% more than the actual charge. The legislation also prohibits any merchant from blocking a portion of a consumer's account or credit line for a period longer than 72 hours after the actual transaction or purchase. The FTC says that most blocks are lifted within three days of a final purchase. Finally, this measure requires any merchant, who imposes a credit or debit card block of any amount above the purchase price, to notify consumers either verbally or in writing, prior to purchase. A violation of this act is a violation of the Unfair Trade Practices and Consumer Protection Law, which carries a civil penalty of up to \$1,000 per violation.

Several constituents have complained about the practice of blocking involving their debit card. They were unaware of this business practice and even more dismayed by the fact that a business may place a hold for several days on a consumer's bank account for an amount larger than the actual value of the purchase. With a business blocking in excess of 100% of the value of the purchase, the unsuspecting consumer may bounce checks, incurring unanticipated expenses or fees for insufficient funds. Any delay by the business in removing a block may impact a consumer's actual credit line or checking account balance.

*If you would like to cosponsor this legislation, please contact Pat Snively of my office by e-mailing her at [psnively@pasen.gov](mailto:psnively@pasen.gov).*