



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

OFFICE OF THE VICE CHAIRMAN

October 15, 1971

TO CHIEF EXECUTIVE OFFICERS OF ALL STATE MEMBER BANKS

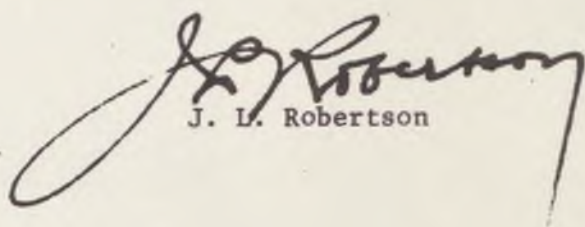
Questions have been raised concerning the continued issuance of credit cards and use of related material, such as credit agreements, which contain statements of the consumer's liability for unauthorized use of his credit card which are inaccurate under the amendments to the Truth in Lending Act and Regulation Z. Sections 226.13(c) and (d) of Regulation Z specify conditions which card issuers must meet before cardholders can be held liable for up to \$50 of unauthorized use. Unless these conditions are met, cardholders are not liable for any amount of unauthorized charges. There is no liability, in any event, above \$50 for unauthorized use.

Many card issuers continue to issue cards with such statements as: "In case the credit card is lost or stolen, the customer shall be responsible for any extensions of credit to anyone through use of the card until the card issuer receives written notice of its loss or theft." Such statements do not accurately reflect the consumer's liability.

Some banks have been issuing credit cards containing incorrect statements regarding liability pending exhaustion of existing supplies or the receipt of new supplies. However, continued issuance of such cards after January 25, 1972 (one year from the effective date of § 226.13 of Regulation Z) would not appear to be justified.

Cards of issuers who have not chosen to take the steps necessary to preserve their rights to recover up to \$50 of unauthorized use of the card need not contain any representation as to the consumer's lack of liability, but should not indicate that potential liability exists when, in fact, it does not.

Sincerely,

  
J. L. Robertson