

In April 2006 the Office of Fair Trading challenged credit card providers over penalty charges set at a level significantly higher level than was legally fair.

In response to the OFT challenge, some credit card issuers announced changes to penalty charges. Barclays, Lloyds TSB and HSBC plan to cut their charges to £12.

The OFT has said that a charge should only reflect certain costs incorporated by the company, and that any charge above £12 would be presumed to be unfair. That is not to say that a charge of £12 is necessarily fair, and consumers can still challenge charges of this amount if applied to their accounts.

We want companies to open their books and show consumers how levels for penalty charges are worked out, and reveal the true cost to the credit card issuer of a consumer missing a payment, for example. The default charge should only cover limited administrative costs. These charges cover failure to pay a credit card bill on time, exceeding your credit limit, or paying with a direct debit or cheque that bounces.

This principle also applies to default charges on overdrafts, store cards and mortgages. Which? has launched its own campaign against default charges by slapping an ASBO on current account providers. An ASBO - that's an Anti-Social *Banking Order* - is our way of putting the onus on the banking sector to review and revise how it treats customers.

We have provided a step-by-step guide to reclaiming your money from a credit card issuer, which includes template letters you can download, customise and send to the company.

- Letter one requests details of all charges paid ([download letter one](#)).
- Letter two asks the company for a refund on the basis that you are a loyal customer ([download letter two](#)).
- Letter three threatens small court action against the company if they do not pay you back ([download letter three](#)).

We have also produced a factsheet on using the small claims court. The factsheet (see below) actually refers specifically to reclaiming unfair default charges from banks, but the same principles and processes apply to credit card companies.