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### MARKETS

# American Express Raises Its Fee for Late Payments

Card issuer will add \$1 to existing \$37 charge, moving to take advantage of federal revision



American Express Co. is preparing to raise the fee it charges customers for late payments under a coming revision of federal guidelines that allow card issues to charge up to \$38 for missed payments. *PHOTO: ANDREW HARRER/BLOOMBERG NEWS*

By **ROBIN SIDEL**

Updated Nov. 25, 2016 7:12 a.m. ET

If you carry an AmEx card, better make your payments on time.

The federal government is raising the allowable limit on some credit-card late fees, and American Express Co. is the first big issuer to act.

Starting in January, AmEx will charge customers as much as \$38 if they are late on more than one payment in a six-month period. That's \$1 more than the company's old highest fee, and it will put AmEx at the maximum allowed under the Consumer Financial Protection Bureau's updated guidelines.

Late fees were capped by the 2009 Card Act, which cut into penalty-fee revenue for U.S. card issuers. The card industry is eager to get it back. Issuers are spending more money to court new customers with pricey rewards programs and other promotions.

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AmEx has good reason to focus on such fees since its revenue growth has been under some pressure and its business is more concentrated on cards than other big banks like J.P. Morgan Chase & Co. and Bank of

America Corp.

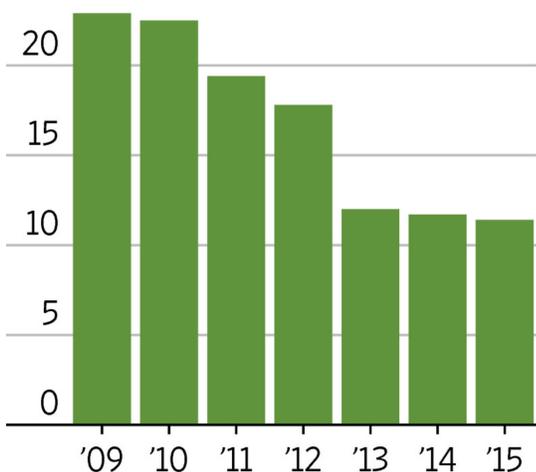
“There are business costs associated with not paying on time, and late fees are intended to recapture some of that cost,” AmEx said in a statement. The company added that “a very small number” of customers miss two payments over the course of six months.

Spokesmen for J.P. Morgan Chase, Bank of America, Citigroup Inc. and Discover Financial Services said their maximum late fee stands at \$37. Capital One Financial Corp.’s late fee tops out at \$35, a spokeswoman said.

## Past Due

Total revenue from credit card penalty fees\*

\$25 billion



\*Late fees represent 95% of penalty fees  
Source: R.K. Hammer Inc.

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website CreditCards.com found that late fees ranged from a low of \$10 to a high of \$49 for a corporate card. The fee on first-time late payers is currently capped at \$27.

Roughly 20% of active credit-card accounts incur a late fee, according to CFPB data. Based on numbers from industry newsletter Nilson Report, that represents about 170 million accounts.

Credit-card companies collected \$11.4 billion in penalty fees last year, according to R.K. Hammer Inc., a consulting firm that specializes in the payments industry. That isn't far off the \$11.8 billion they earned from annual fees, but its down by roughly half from 2009.

By comparison, card issuers earned \$25.1 billion in cash-advance fees last year.

Top late fees had averaged around \$39 before the Card Act. In 2013, the CFPB set the maximum for repeat late payment at \$35. It later raised it to \$37. Then in June, it said the higher rate could go up by \$1, or 2.7%, to \$38 starting in January 2017.

Business cards aren't subject to the federal limits. A survey conducted last year by

*‘About 90% of people who ask for a late-fee waiver get it, but only about 25% of people even ask.’*

—Matt Schulz, CreditCards.com

AmEx has a history of serving affluent consumers but has expanded its customer base to include the mass market, leading to more opportunities to collect late fees.

AmEx doesn't disclose how much it earns from late fees. Industrywide delinquency and default rates have crept up in recent months, but still stand at unusually low levels.

Credit-card issuers initially balked at many of the limits set in the Card Act, but ultimately overhauled their businesses to take the new restrictions into account. Credit-card operations are among the most profitable businesses within big banks these days, due in part to low default rates and more creditworthy customers.

Some issuers are trying to attract new customers by not charging late fees. Discover and Citigroup waive fees on a first late payment on certain cards. Pentagon Federal Credit Union's Promise card advertises that it has no late fees.

Consumers can often avoid late fees just by asking their card issuer to do so.

"About 90% of people who ask for a late-fee waiver get it, but only about 25% of people even ask," says Matt Schulz, senior industry analyst at CreditCards.com.

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