

## Sotomayor Law

Rande S. Sotomayor, Esq.



Mediation & Arbitration Services

# Credit card companies are keeping us out of court. That's a good thing, right?

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We all have them. Seems we can't do without. Truth is, we have a love hate relationship with credit card companies. They can help us soar with fantastic, well-deserved purchases, even help start small companies for the entrepreneur in many of us. The credit card companies love us when we don't pay the monthly balance in full – that's how they make their money.

What happens when this fantastic relationship goes sour? Like any marriage, when it's good, it's very good. And, when it's bad, you might try to work it out with the help of a counselor. If that mediation is not successful, you go to divorce court.

In a dispute with a credit card company, you try to call the customer service people to iron things out. But when even the supervisor's supervisor stands firm ... well, you might think you have to take the card company to court, right?

Not so fast. When you sign up as a cardholder, you also agree to have any disputes resolved in an out-of-court decision by a private arbitrator. Is this a bad thing? According to a March 24, 2015 Los Angeles Times article ("Credit card users shouldn't be bullied into arbitration" – you can see where author David Lazarus stands), the Consumer Financial Protection Bureau conducted a study concluding that arbitration provisions in credit card contracts often prevent fair resolution of consumers' complaints. According to the CFPB, the problem is that statistically, arbitration awards heavily favor businesses over consumers. The study cited a 2007 report from Public Citizen showing that over a four year period, 94% of California arbitrations concluded in favor of the card companies.

Further, the CFPB study found that when there WAS a ruling in favor of one side or the other, consumers were awarded an average of 57 cents for every dollar claimed while companies received 98 cents on their dollar.

Contact us for your ADR needs today.

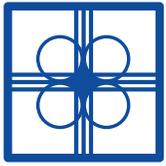
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Consider all the contracts that have arbitration clauses in addition to the credit card contracts – phone, cable, insurance, doctors, loan companies, employers, etc. Many of these contracts now wisely include “mediation first” clauses that require the parties to try to negotiate a solution on terms they control with the help of an impartial third party before moving to the next level of dispute resolution.

As always, the truth is in the fine print. You might want to read it next time. Not that you won’t go forward with accepting the credit or loan or job. But if you’re lucky, you might find that “mediation first” clause that will require everyone to try to work things out before you head to arbitration.

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