FTC release

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FOR IMMEDIATE RELEASE:

AMOCO TO SETTLE DISCRIMINATION CHARGES: QUALIFIED CONSUMERS TO BE OFFERED CREDIT: COMPANY WILL PAY $200,000 CIVIL PENALTY

To settle charges that it illegally discriminated against blacks, Hispanics and women applying for credit, Amoco Oil Co. has agreed to offer credit cards to qualified consumers who were previously denied them, the Federal Trade Commission announced today.

The company will also pay a $200,000 civil penalty, the largest ever for alleged violations of the Equal Credit Opportunity Act in a case brought by the FTC.

Amoco used consumers' ZIP codes as one factor in deciding whether to grant them credit. This in effect discriminated against black and Hispanic applicants, according to a complaint prepared as part of the settlement.

FTC staff explained that Amoco penalized consumers with certain ZIP codes and that those ZIP codes corresponded to areas with high concentrations of black and Hispanic residents.

The company also allegedly discriminated against women on the basis of sex and marital status by failing to consider the amount and source of income from alimony, child support, separate-maintenance payments or part-time work on the same basis that it considered income from other sources.

In addition, Amoco was charged with illegally discriminating against consumers who receive public assistance by treating them less favorably than those with jobs and by failing to consider the amount of their income on the same basis that it considered income from other sources.

To evaluate credit applications, Amoco used a scoring system. Under this system, each item of information a consumer provides on his or her credit application results in points being added or subtracted. The overall score must reach a certain level for the consumer to receive credit.

The complaint also charges that Amoco illegally discriminated against women on the basis of sex and marital status by failing to consider credit references supplied by applicants for "Torch Club" cards if a credit bureau listed those references under a husband's name. "Torch Club" cards are travel and entertainment credit cards.

In denying both gasoline and Torch Club cards, the complaint says, Amoco did not give consumers the "principal and specific" reasons for the turndowns, as the law requires. The company also allegedly cancelled some accounts for such reasons as address change without disclosing the reason.

Under the agreement, Amoco is barred from all the challenged practices, including the use of ZIP codes as a factor in evaluating credit applications.

This consent decree is for settlement purposes only and does not constitute an admission by the company that it violated the law. Consent decrees have the force of law.

The company must also re-evaluate the applications of all consumers who applied for credit after March 22, 1977 and who may have been denied it because of their ZIP codes or because their income is derived from alimony, child support, separate-maintenance payments, part-time employment or public assistance. Amoco will offer credit cards to all those who otherwise qualify.

At the time the settlement was negotiated, FTC staff estimated that thirty thousand to fifty thousand former credit applicants could become eligible for accounts. The exact number will not be known, they say, until Amoco complies with the agreement.

The company will also write those who were denied credit after March 22, 1977 and who asked the reasons, giving them the principal and specific reasons. The letter will state that Amoco has changed its system of evaluating credit applications and that the consumer may wish to reapply. An FTC brochure explaining the consumer's rights under the Equal Credit Opportunity Act will be printed at Amoco's expense and enclosed with its letters to consumers.

The civil penalty will be the largest paid in a case brought by the FTC for alleged violations of the Equal Credit Opportunity Act, and the settlement is the most far-reaching obtained under the act. The complaint contains the FTC's first allegation of race discrimination.

The agreement--known as a "consent judgment"--was filed in the U.S. District Court for the District of Columbia by the Department of Justice, which acted at the request of the FTC.

Amoco has headquarters in Chicago.

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