

Transaction declined? Texting would OK overdrafts

May 9 2011, By CANDICE CHOI , AP Personal Finance Writer

(AP) -- If you're willing to pay a \$35 fee to overdraw your checking account, just text your approval to the bank.

Under a pilot program at [Bank of America](#), customers who enroll would have the option to instantly reverse a declined transaction. The default setting would continue to reject purchases when there isn't enough money in an account.

News of the test program comes just a year after the bank stopped allowing overdraft transactions at the register. At the time, Bank of America touted the decision as a consumer-friendly policy that would prevent customers from unknowingly overdrafting their checking accounts and incurring penalty fees.

The company's decision was also a response to regulatory changes; a rule that went into effect last summer prohibits [banks](#) from enrolling customers in overdraft programs without their active consent.

Under the new [pilot program](#), Bank of America says customers would be fully aware that approving an overdraft would result in a \$35 fee.

To start, customers will have to sign up for the program. If they then try to make a purchase that's declined at the register, they would immediately get a text from Bank of America asking if they want the purchase to go through.

The text would notify customers of the overdraft fee.

The customer's approval would only be good for that particular transaction. And if a customer replaced the money in their checking account by the end of the day, they would not be charged the fee.

Bank of America plans to roll out the pilot early next year, but declined to give details on the scope and duration of the test.

The bank is also considering a few other ways to let customers approve overdrafts of their accounts, said Laurie Readhead, a Bank of America executive. But she noted that it's in the company's best interest to clearly disclose fees in any new option it pursues.

Ever since Bank of America stopped permitting overdraft transactions last year, she said customer complaints have gone down and retention has improved.

"That said, we do want provide options to our customers," she said.

Customers at Bank of America can currently only overdraw their accounts at ATMs, where they are first notified of the \$35 fee.

Overdraft programs have long been a target for consumer advocates who say customers often don't realize they can spend more than they have in their accounts. Advocates also note that penalty fees, typically around \$35, are often assessed even if customers overdraw their account by just a few dollars.

Such missteps have resulted in important fee income for banks in the past. In 2009, overdraft fees brought in a record \$38.5 billion for banks, according to research firm Moebs Services. It's not clear how the new regulation banning automatic enrollment in overdraft programs has

impacted fee income.

But to hold onto to that revenue, many banks have been aggressively marketing their overdraft programs to encourage consumers to opt in for coverage.

According to a report by the advocacy group Center for Responsible Lending, one bank sent marketing material stating that failing to opt in for overdraft could prevent customers from "completing everyday transactions, including any store and gas station purchase, emergency home and car repair."

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