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If you become a victim of credit card theft, it's extremely important to report the theft immediately in order to minimize any damage the charges may cause. As shown by this reader's question, waiting to notify the card issuer may cause additional, unnecessary damage to your credit reports and scores if the fraudulent debt ends up in collections:

A con stole my Discover card and made a number of fraudulent charges prior to me leaving the country a couple of years ago. I've since moved back to the US and now my scores are showing these charges as a delinquency, resulting in a collection on my credit report. I know the theft happened a few years ago, but what steps can I take to address this now?

The first step to addressing a stolen credit card is to report the theft to your credit card issuer the instant you realize the card has been stolen. Most credit card issuers provide 24-hour contact numbers for emergencies, and credit card theft should absolutely be considered an emergency situation. When you report the theft, the credit card issuer would immediately cancel the card to limit the risk of further unauthorized charges and then re-issue a new card with a new credit card number.

You'll also want to pull your [free credit reports](#) from AnnualCreditReport.com to look for entries related to the fraudulent debt, and you should also check your credit score to assess the overarching damage from the fraud.

Protections for Unauthorized Charges

As far as unauthorized charges go, under the Fair Credit Billing Act (FCBA), an amendment to the Truth in Lending Act (TILA), your liability is limited to no more than \$50. Even then, if the theft is reported immediately, many credit card issuers offer zero-liability protections that would

waive the \$50 fee in credit card fraud or theft cases.

Disputing Unauthorized Charges

The law also outlines procedures that you'd need to take to dispute any unauthorized charges the thief may have made. This is one of the reasons why it's so important for consumers to review their monthly credit card statements.

The Fair Credit Billing Act spells out procedures to follow if you find a billing error on your credit card statement. If you find unauthorized charges on your credit card statement and you report them in writing within 60 days of the date the statement on which they appeared was mailed to you, then you may withhold payment on that portion of your statement while the credit card company investigates. You can't be charged interest or be reported as late to the credit bureaus while the investigation is pending.

Does that mean you are on the hook for the charges if you didn't dispute them within 60 days? No, actually, because a different section of the Truth In Lending Act covers the liability limits for fraudulent use, and under that part of the law, there is no time limit. So you can still dispute unauthorized charges months -- or even *years* -- later. But as our reader discovered, you may suffer the consequences of damaged credit in the meantime.

Disputing Fraudulent Debts On Your Credit Report

Because the theft occurred a few years ago, and the bad debt is now being reported as a collection in your credit report, it's going to be a lot harder to clear up. Ultimately, though, this is a case of fraud and should be treated as such.

Even though you've found evidence of the fraudulent charges in your credit report, it's a good idea to start the process by notifying one of the three credit reporting agencies to request that they place a fraud alert on your credit report while you investigate the theft and get the proper documentation in order.

You only need to notify one of the credit reporting agencies to have a fraud alert added to all three of your credit reports. The fraud alert will remain on your credit reports for 90 days, and entitles you to a free copy of your credit report from each of the three credit reporting agencies. Use these free reports to review for errors or any other possible signs of identity theft that you may not have been aware of.

From here, you'll want to file a dispute directly [with the credit reporting agencies](#), as well as the creditor (or credit card issuer's) fraud department. "In the dispute, you should say specifically that this debt was the result of identity fraud and explain why you were not the person who used the account," advises Jean Noonan, an attorney with Hudson Cook LLP in Washington, DC. The FTC [offers a sample letter](#) that will help you in explaining, documenting and disputing fraudulent charges with the creditor.

"You should also create an identity theft affidavit and file a police report," explains Noonan.

To create an identity theft affidavit, you'll need to submit a formal complaint detailing the theft to the Federal Trade Commission — either [online](#) or by phone, via the FTC's Identity Theft Hotline at 877-438-4338.

Once you've submitted the report, you'll want to take a copy of the Identity Theft Affidavit with you when you file a police report. For a full list of procedures and resources, including a check list and sample letters to use in your investigation, visit the Federal Trade Commission's website.

I know this seems like an awful lot of work, but in the long run it's worth the effort to insure that your credit reports and scores don't suffer from fraudulent charges you didn't make.

The lesson for other consumers in this situation is to understand that it's extremely important to

review your monthly credit card statements to address fraudulent charges as soon as possible. The only way to know if your card has been compromised or used for fraudulent charges is to review your statements each month. Waiting too long to report the incident could result in unnecessary damage to your credit — and extra work in fighting and documenting the theft later on.