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CREDIT CARD ISSUER OWES NO DUTY TO NON-OBLIGOR "CARDHOLDER"

Question: "Does a credit card issuer have to resolve disputes about purchases with the consumer who used the card to buy the goods, or just with the person who obtained the card and authorized issuance of another card to the consumer?"

Answer: Just the later, according to the Ninth Circuit Court of Appeals in *Edwards v. Wells Fargo & Company* (No. 06-16892), decided May 19, 2010.

In this case, Wells Fargo issued a Visa card to two individuals who signed a form agreeing to be "equally responsible for the repayment of current and future charges on the account...." Later, these two individuals arranged for the Bank to issue another credit card to plaintiff Edwards, who did not, however, sign a similar form agreeing to be responsible for charges. Edwards later disputed several credit card charges, but Wells Fargo declined to respond to or investigate such disputes on the grounds that it owed no duty to him as a "consumer" under Regulation Z. The district court granted summary judgment in favor of Wells Fargo, and the Ninth Circuit affirmed.

Acknowledging the Truth and Lending Act requires a credit card issuer to respond to, investigate, and resolve disputes regarding purchases, the Ninth Circuit observed that noted the "question in this case is to whom that obligation is owed." After a "detour into vocabulary to make the arguments comprehensible," the Ninth Circuit concluded that even though Edwards was a "cardholder" under TILA, he was "not a 'consumer' in the bizarre usage of Regulation Z." Semantics aside, the Ninth Circuit concluded by noting that "it would be quite a big step if the Federal Reserve Board converted a statutory obligation owed only to an 'obligor' under the statutory language into one owed to every college student using a credit card issued to a parent, when the child had a dispute with a pizza parlor."

Indeed.

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