FleetCor: Sales and Billing Practices Raise Questions Regarding the Legitimacy of FleetCor’s Fee-Based Income

A Close Look at FleetCor’s Business Practices

Investigation into FleetCor’s business practice indicates a reliance on questionable tactics to boost fee revenue. For this article, The Capitol Forum interviewed seven former FleetCor employees as well as nine current and former FleetCor customers, and we also reviewed complaints filed with state and federal regulators, online complaints, and filings from various litigation proceedings. This investigation revealed evidence that FleetCor routinely imposes a myriad of unwarranted fees on customers and that such fees are generally only removed in instances where customers are both persistent and vocal in raising objections. In addition, FleetCor further supplements its fee revenue with late fees through the use of a bill payment system that makes it extremely difficult, if not impossible, for customers to make timely payments.

FleetCor generates a substantial portion of total revenue from customer fees. According to an 8-K FleetCor filed on February 8, the company derives a combined 55% of its total revenue from customer “Processing and Program Fees” and “Late Fees and Finance Charges.” The revenue derived from customer fees is significant because it largely insulates FleetCor from fuel price volatility.

Fee transparency or scrutiny could undercut FleetCor’s ability to sustain its current level of fee revenue. With respect to fees, FleetCor’s business model relies in large part on customers being unaware that they are being overcharged. Based on our investigation, FleetCor appears to achieve this objective by: (1) understating or misrepresenting the fees associated with its products at the point of sale; (2) waiving fees during the first three months of card use when customers are most likely to carefully scrutinize their bills; and (3) burying fees at the end of lengthy transaction reports utilizing a host of vague descriptors.

Given the tactics that FleetCor employs, it is particularly vulnerable to any future developments that would draw attention to the company’s billing practices such as a regulatory investigation or negative headlines. Either development would likely result in current customers subjecting bills to closer scrutiny, the company being required to issue refunds or other potential penalties, and the loss of future and existing business to competitors.

Headline and regulatory risk. Bringing some of FleetCor’s practices to light raises the specter of regulatory action from various States Attorney Generals and the FTC. Frank Dorman, a spokesperson at the FTC, indicated that the FTC would have jurisdiction in cases in which businesses are harmed by unfair or deceptive business practices. The FTC enforces the FTC Act and various other consumer protection laws prohibiting unfair or deceptive business practices, which affect both individual consumers and businesses.

The types of customers FleetCor provides fleet management services to - which includes state and municipal governments and non-profit organizations – creates further headline risk. In May of last year, a local NBC affiliate in Dallas reported a story in which FleetCor cut off fuel cards for Dallas County emergency responders over the course of a holiday weekend as a result of an overdue payment.

We recently spoke with John David, who serves as the volunteer Director of the Southern Appalachian Labor School (SALS) in Fayette County, West Virginia. SALS is a small, community based, grant funded, non-profit that runs a food pantry, works with high school drop outs, and repairs homes for low income families in the coal camp communities of southern West Virginia. The organization sued FleetCor in 2014 for charging unauthorized
late charges, penalties and assessments after it was unable to find relief from the $1,000 late fees FleetCor added to monthly gas bills that typically ran from $4,000 to $7,000.

Mr. David made numerous, determined but, ultimately futile attempts to remove the fees through calls and letters to FleetCor. In the summer of 2013, he wrote, “We wish to appeal $2,500 in fines and penalties on our CITGO bills for July 2013 and August 2013. Your fines are crippling our organization and mission.” A few months later he crafted another letter, “We are paying this bill under protest. The late fee of $1,000 and interest of $113.80 is wrong and unfair. Last month, I called you about the late fee matter. Our bill at that time was $6,684.09 and it was due then. You said I could pay without penalty “online” and we did. As it turns out, you failed to credit that payment.”

A Closer Look at Service Fees

**Inadequate marketing and point of sale disclosures.** Based on our conversations with former FleetCor sales representatives, the sales representatives unwittingly provide little transparency regarding fees at the point of sale. The sales representatives we spoke with indicated that they were told by their supervisors that there were no fees associated with FleetCor’s cards—a message that they then conveyed to prospective customers.

According to the former sales personnel that we interviewed, FleetCor does not provide training on or otherwise explain the various fees that customers will incur. “I didn’t understand how the fees worked at all,” one former sales person explained. “It was essentially described to me as being a free service as long as they pay their bills on time.” Similarly, another former sales person indicated that the absence of fees was specifically used as a selling point to differentiate FleetCor from its competitors. “We claim we didn’t charge card fees, that was our advantage over Wright Express,” our source explained.

**FleetCor perpetuates the myth that its fuel cards are not subject to fees by waiving fees during the first three months.** Given that many customers are on a weekly or biweekly billing cycle, most customers will coast through multiple billing cycles without observing any hidden or otherwise unwarranted charges, which often creates a false sense of security. Furthermore, several former salesmen indicated that the timing of the grace period is designed to ensure that customers do not become aware of fees until they have already ramped up use of the fuel card program which makes it more difficult to walk away.

**Post grace period - Introduction of fees.** Following the initial grace period, FleetCor appears to ramp up the number of fees included in customer bills. For example, Forklift Systems in Nashville began using a FleetCor card in July 2015. After several months of having fees waived, Kathy Henry, the CFO, noticed “each statement had about $600 in fees with different names like maintenance and card fees.” Henry further explained, “I’d call and raise Cain, but we’d pay so our cards didn’t get cut off. We were charged over $9,000 in fees over 12 months, none of which was ever credited or resolved despite monthly calls.”

Other customers reported experiencing similar issues. Jenny Clark Yokoyama, COO of Catcon Group in Charleston, SC stated, “The first couple of months went well and we loved the reporting but then our office manager started noticing random fees with weird names and she started calling every month to get these fees off.” Yokoyama also noted that having the fees removed involved a time consuming and frustrating process with FleetCor’s customer service department: “[Our office manager would] be on hold for an ungodly amount of time and get excuses that the fees are for some type of service we never asked for. I got hung up on once after being on hold for 45 minutes. They would remove the fees if I complained enough.”
A review of the various bills provided by our customer sources as well those filed in connection with litigation revealed a wide array of fees that FleetCor has imposed on customers including, “Account Administration Fee,” “Member Fee,” Minimum Usage Fee,” “Transaction Fees,” “High Risk Transaction Fees,” “Min Program Admin Fee,” “Credit Risk Assessment Fee,” “High Risk Credit Fee,” “Convenience Network Surcharge,” and “Clean Advantage Program Fee.”

In some cases, the fee charged is a negative option one which allows FleetCor to automatically enroll customers in programs unless they specifically opt out. For example, one of the customers we spoke with pointed us to a $512 Clean Advantage Program fee located on the eleventh and final page of a Fleet Management Report for the Universal Premium FleetCard MasterCard product. When the customer called customer service to inquire about the charge, they were informed, “We sent customers a notice with an opt out provision which was not exercised on this account. As a courtesy, we will now waive the fee and permanently opt the account of the program.” Our source denied having received the opt out notice.

To illustrate various fees that FleetCor customers incur, we have provided access to various customer bills, which we have produced below with the former customer’s permission. The bills indicate that fees are waived for the first several months. The complacency that develops over this time period coupled with the creeping addition of new fees in reports allows for many fees to go undetected. Furthermore, as indicated by the last page of certain bills, FleetCor also provides a separate single page summary invoice that does not itemize fees. In many cases, customers report that they were unaware that fees are billed to their account and fees are itemized separate and apart from the remittance invoice.

Response from FleetCor. We reached out to FleetCor for comment regarding the fees charged to customers. According to the company, “All fees are disclosed clearly in our contracts.” The company further explained that “General Contract Terms and Conditions are provided with the customer welcome package before the customer is able to fuel.” We requested a copy of a contract, but FleetCor replied that they were unable to provide one. It should be noted that the customer invoices do contain some of the cardholder agreement terms. For example, a recent customer invoice for Generation 3 Electric included the following disclosures:

- Program Fee: FleetCor reserves the right to charge Program Fees for membership, tax exempt reclamation processing, enhanced reporting and/or other features and benefits made available to certain accounts. The fees may be subject to change. Tax exempt reclamation is only available to certain types of account in certain geographies.

- Account Fee: FleetCor reserves the right to charge up to ten dollar ($10) per month Account Fee, which may be subject to change. This fee is waived for any month that the Account purchases are more than 5,000 Gallons of fuel.

- Check Processing Service Charge: FleetCor reserves the right to charge a Check Processing Service Charge not to exceed $25. Customer can avoid this charge by using the iConnect payment feature and paying the Account electronically. Payments can also be made over the phone by calling the toll-free customer service line. There may be a charge up to $35 for this service.

- Change of Terms; Termination: The terms of this Agreement may be changed at any time upon notice. Retention or use of the Account and Cards after the effective date of any change will constitute acceptance
of the new terms. If Customer does not agree to any such change, Customer may end this agreement by notifying Operator.

Taken as a whole, these disclosures essentially state that FleetCor reserves the right to impose various fees, but provide no real clarity regarding when such fees will be applied. Further, based on our conversations with various FleetCor customers, the service fees are frequently presented in the form of a negative option that requires customers to opt out. In many cases, the customers we spoke with indicated that they did not receive notice of the fees.

A Closer Look at Late Fees

Bill payment system designed to maximize late fees. In addition to the systemic over billing issues that occur through undisclosed service fees, FleetCor customers must also navigate a complicated bill payment process. Indeed, virtually every aspect of the company’s bill payment system, from delivery of invoices to posting of payments, is plagued by critical deficiencies that make it difficult for the customer to timely pay FleetCor bills.

Difficulty accessing billing invoices. A common complaint among FleetCor customers relates to the untimely manner in which they receive invoices. In some cases, customers have complained that the physical copy of the invoice frequently arrives late or not at all. In other instances, customers that have opted to receive copies of their bill via email have complained that FleetCor sent bills to the incorrect email address.

Although customers do have the ability to access bills online, FleetCor’s online account management tool has its own problems. Specifically, many customers have complained that the portal frequently crashes or is down for maintenance. For example, in a Facebook post from earlier this month a customer stated: “[FleetCor] ‘upgraded’ their portal [at the end of January] and of course, it was done haphazardly, like everything else they do. I received an email the same day saying they would waive all late fees since no one could even access their invoice online. I finally received access to said invoice today and lo and behold, that invoice showed a late fee for missing the payment date yesterday. A $254 late fee for a missed payment due to their ineptitude, that they assured their customers would be waived.”

Invoice access issues lead to truncated bill payment timeframe making payment by mail difficult. Many of FleetCor’s customers are billed every 7 (net 7), 10 (net 10) or 14 (net 14) days. FleetCor customers may make bill payments for free via mail, ETF or the online account management tool, or pay by check by phone for a fee.

Payment by mail requires seven to ten days for processing; for Fuelman cards, payments must be posted by 7am EST on the due date if it is a business day or 7am EST on the first business day prior to the actual due date on the Invoice. No payments are posted on weekends or holidays. Therefore, the combination of delayed access to invoices coupled with the seven to ten day processing timeframe means that mailing in checks for net 7 and net 10 customers always result in late fees.

A customer service representative confirmed to us that mailed payments result in late fees and finance charges. A March 2015 Georgia BBB complaint raised this issue: “The terms of the payment due date is not adequate for their processing time. [FleetCor] requires the invoice to be paid within 10 days of the statement date, however the statement usually arrives on average 6 days after the statement date and has arrived after the due date. I believe they are delaying the mailing to increase late fees. I have mailed the check on the same day the statement arrived and received late fees or call indicating they had not received our payment several days after it had been mailed.
On a $599 bill the late fee was 132.34. Not only is it excessive but the terms are impossible to comply with due to their processing time. I have not held the invoice for more than one day and for several months in a row we have received late fees due to their slow internal process of both mailing statement and processing incoming checks.” [Consumer Sentinel Network Reference Number 6463369, March 23, 2015, BBB GA Atlanta] More excerpts of complaints regarding late payments can be found below.

**Making online payments is also difficult as there are frequently problems with the website.** Below are several customer complaints illustrating the issues customers have faced making payments online.

- Yokoyama reported to us that her office experienced “many problems trying to make payment online, either because the website isn’t working or its under maintenance.”

- A March 2015 GA BBB complaint: “[the] website won’t always accept payments when they charge $77 per weekly billing cycle for service fees.”

- A February 19, 2015 GA BBB Complaint (on behalf of the YMCA): After conveying that attempts to remit payment by mail resulted in late fees, the customer explained: “I tried to approach this issue from another angle, by logging into the website and making online payments. I was unable to log in, resulting in a 3rd phone call to customer service. The person who I spoke with could not figure out why I was unable to.”

**Even if customers pay on time, they are still assessed late fees.** Even in those instances where a customer manages to make a payment on time whether it be via mail or online, FleetCor often delays processing of the payment resulting in late charges. A former sales employee recalled, “One customer paid by sending a check overnight by FedEx to make sure it got there way before the due date.” He further explained, “accounting always cashed the check the day after it was due.”

Customers that we spoke with cited similar experiences. For example, Wes Hamilton, owner of Plumb Pro, Inc. recounted, “[t]hey didn’t post my check payment I sent from Alabama in early January to North Carolina until January 24.” Mr. Hamilton further stated: “They have plenty of time to post it and all this time they kept calling and calling telling me I’m late. I explained that they are holding two checks and charging late fees and his only advice was to provide my banking info so I pay online and if there was overage I’d get a credit refunded but I wasn’t comfortable with that.”

Below are additional examples of similar customers complaints regarding delayed payment posting dating back to 2014:

- October 21, 2014: “I consistently send my bills out ON TIME, and I am charged with a $75.00 late fee. I just got a bill today that is due on 10/29/14. That’s less than 8 business days to send, which I do and consistently get charged $75.00 for being late. Even their website has a 3 day turn around period to post to the account or you are considered late and charged … I send my bills out on time, and still get charged late. Other companies I send my bill out on the SAME DAY process and receive them almost 5 days earlier!”

- October 12, 2015: “We have submitted our payments by check with more then a week for them to receive payment and process the payment. However they process the payment a day after it is due and then turn
around and charge us over 300.00 in late fee's and finance charges. They won’t waive late fees more then once in a year period. Sending payment from Florida to Georgia with more then a week I think is pretty sufficient for them to process payment. However because there is no charge for the consumer this is a way for them to make money by processing payments late.”

- February 13, 2015: “$75.00 late fee being billed when payment sent on time. I sent my payment in 10 days prior to its due date and was charged a $75.00 late fee.”

- December 19, 2015: “We have been mailing in payments a week prior to their due date. On several occasions we were charged a $75 late fee (on charges totally $183)!. One was charged the day after a due date. As a general rule we mail checks at least a week prior to their due date. How would I know if they are processing their lock box payments the day they are received?”

- August 1, 2016: “I can make a payment 4 days before its due and if the payment doesn’t clear until after the due date this company charges $75 each time, not to mention they bill you every 14 days. This company is a bunch of thieves.”

**FleetCor regularly ignores or denies customer requests to enroll in EFT billing.** Our source interviews and complaint review also revealed a pattern of unexplained denials or discouragement in the form of unnecessary hurdles as it pertains to customers enrolling in EFT. In theory, EFT should be encouraged in circumstances where many customers are paying late. However, the most logical conclusion to be drawn from FleetCor’s apparent aversion to EFT is that it would undercut the late fee revenue.

One former sales rep explained that he would frequently go through the process associated with signing up a customer only to later be informed “that for some strange reason that was never really explained to you that we can’t put them on EFT or they didn’t qualify for EFT.” The sales rep further explained that it was a “not so well kept secret that if they paid their bill on time, you couldn’t charge them a late fee.”

Similarly, a former customer, Debbie Lutz, co-owner of Generation 3 Electric, characterized the process associated with setting up EFT as a “total nightmare” and “time suck” and noted in a July 2016 Facebook post that “The department responsible for setting up the payments absolutely refuses to speak to customers and will not set [EFT] up for my business.” Lutz further noted, “I’ve been told three different reasons as to why this can’t be set up and frankly none of them make any sense.”

**Some customers that manage to enroll in EFT are still charged late fees in certain instances.** While it is unclear how frequent the occurrences are, there do appear to be instances where customers enrolled in EFT still manage to be charged late fees. According to one former sales rep, “I had a customer on autopay but they would get let fees. We got it handled after a few weeks. I made a lot of calls. … I finally had to go higher than customer service to the credit manager to get it taken care of.”

**Response from FleetCor.** Regarding the issue of late fees, FleetCor stated, “All of our customers are given tailored payment terms based on their credit worthiness, and they are billed on those terms.” The company also directed us to their 4th quarter results showing that finance charges represented 6 percent of revenue for 2016.

**Bills and Complaints Appendix**
In fall 2016, we submitted a FOIA request to the FTC’s consumer sentinel network. In response, the FTC produced a log with 202 complaints which can be found here. In addition, we are providing billing documents from sources with whom we spoke including:

1. **Customer Invoice.** This document shows the billing period, due date, total balance due and spending limit.

2. **Fleet Management Report with Transaction fee.** This document shows the Fleet Management Report for Forklift Systems for the period March 1, 2016 to March 15, 2016. The first page includes a summary of total fuel charges followed by the underlying fuel transactions. The final page of the PDF shows the transaction fees.

3. **Monthly Fleet Management with Minimum Program Administration Fee.** This document shows the Fleet Management Report for the period March 16, 2016 – March 31, 2016. The first page includes a summary of total fuel charges followed by the underlying fuel transactions. The final page of the PDF shows the Minimum Program Administration Fee.

4. **Compilation of Fees.** This document is a PDF containing the final page of multiple Fleet Management Reports for Generation 3 Electric from July 20, 2016 to February 19, 2017. We have truncated the reports to focus on the portion of each report that discloses various fees over time.