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# CFPB Warns Credit Card Companies Against Deceptively Marketing Promotional Offers



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## *Consumers Can Be Hit With Surprise Charges After Signing Up for Credit Card Interest-Rate Promotions*

WASHINGTON, D.C. — Today the Consumer Financial Protection Bureau (CFPB) warned credit card companies against deceptively marketing interest-rate promotions. The Bureau is concerned that some companies are luring in consumers with offers of reduced or zero interest for a specific purchase or balances transferred from another credit card, and then hitting them with surprise interest charges. In the bulletin released today, the Bureau puts credit card issuers on notice about clearly disclosing the costs and risks of these promotional offers so consumers understand what they are signing up for.

“Credit card offers that lure in consumers and then hit them with surprise charges are against the law,” said CFPB Director Richard Cordray. “Before they sign up, consumers need to understand the true cost of these promotions. Today, we are putting credit card companies on notice that we expect them to clearly disclose how these promotional offers apply to consumers so that they can make informed choices about their credit card use.”

The bulletin is available at:

[http://files.consumerfinance.gov/f/201409\\_cfpb\\_bulletin\\_marketing-credit-card-promotional-apr-offers.pdf](http://files.consumerfinance.gov/f/201409_cfpb_bulletin_marketing-credit-card-promotional-apr-offers.pdf)

The CFPB bulletin highlights concerns around the marketing of credit card interest-rate offers such as balance transfers, deferred-interest offers, and convenience checks. Under these promotions, consumers are often charged a fee to transfer a balance or make a purchase with their credit card in order to receive a promotional interest rate on that amount for a set period of time. While consumers pay no interest or a low interest rate for balances subject to the promotion, any additional purchases consumers make with the credit card may incur interest charges right away.

The Bureau believes some companies’ marketing materials do not clearly disclose that consumers must pay off the promotional balance by their due date to avoid racking up unexpected interest charges on routine purchases for which they were not charged interest previously. For some consumers, these surprise charges can make the cost of transferring a balance more expensive than revolving the same balance on their existing card.

These marketing tactics specifically impact consumers who enjoy an interest-free “grace period” on their credit card purchases. Consumers who pay off their total credit card balance each month receive a grace period during which they do not have to pay



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interest on purchases. When consumers carry their promotional credit card balance past their payment due date, they lose their grace period and are charged interest on all new purchases. The only way for these consumers to avoid interest charges on new purchases made with the credit card is to pay off their whole statement balance, including the promotional balance and the new purchases, by their monthly billing due date.

In the CFPB's October 2013 [CARD Act Report](#), the Bureau raised concerns about the level of consumer understanding around credit card grace periods, how they work, and whether there are appropriate consumer disclosures. CFPB examinations of large banks and credit card issuers indicate that some companies may be failing to adequately explain the terms of certain interest-rate promotional offers, leaving consumers confused about why they are incurring new interest charges on their purchases.

The Bureau's bulletin explains that issuers whose marketing materials fail to convey that promotional interest rate offers may cause consumers to lose the interest-free grace period and rack up unexpected fees risk engaging in deceptive and abusive marketing practices. In the bulletin, the CFPB stresses that it expects credit card issuers to fulfill their legal obligations by clearly communicating costs, conditions, and limitations associated with promotional offers.

## Consumer Tips

The CFPB is also publishing [consumer tips](#) today about credit card interest-rate promotions and how grace periods work. Tips for consumers who decide to accept a promotional offer include:

- **Avoid the interest:** Consumers that do not carry a balance can take advantage of promotional rates and avoid unexpected interest if they don't make new purchases with the card until they pay off the entire balance. To avoid interest charges on new purchases, these consumers should consider paying with cash, debit, or another credit card that doesn't have a balance.
- **Make payments on time to avoid surprise charges:** Consumers should be sure to make payments on time. For promotional and deferred-interest balances, consumers should pay off the entire balance before the end of the promotional period.

Compare the interest rates among credit cards. Consumers that carry a balance on all their credit cards should compare the interest rates among their cards to decide which is the best deal for new purchases. These consumers should also consider paying for new purchases with cash or debit.

The CFPB accepts consumer complaints about credit cards. To submit a complaint, consumers can:

- Go online at [consumerfinance.gov/complaint](http://consumerfinance.gov/complaint)
- Call the toll-free phone number at 1-855-411-CFPB (2372) or TTY/TDD phone number at 1-855-729-CFPB (2372)
- Fax the CFPB at 1-855-237-2392
- Mail a letter to: Consumer Financial Protection Bureau, P.O. Box 4503, Iowa City, Iowa 52244

Additionally, through [Ask CFPB](#), consumers can get clear, unbiased answers to their questions about credit cards and other financial products and services at [consumerfinance.gov/askcfpb](http://consumerfinance.gov/askcfpb) or by calling 1-855-411-CFPB (2372).

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*The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit [consumerfinance.gov](http://consumerfinance.gov).*



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