CFPB Report Highlights Consumer Frustrations with Credit Card Rewards Programs

Consumers report losing benefits to devaluation, limited redemption opportunities, and vague or hidden terms and conditions

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WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) issued a new report (cfpb.gov/data-research/research-reports/issue-spotlight-credit-card-rewards/) finding consumers encounter numerous problems with credit card rewards programs. Consumers tell the CFPB that rewards are often devalued or denied even after program terms are met. Credit card companies focus marketing efforts on rewards, like cash back and travel, instead of on low interest rates and fees. Consumers who carry revolving balances often pay far more in interest and fees than they get back on rewards. Credit card companies often use rewards programs as a "bait and switch" by burying terms in vague language or fine print and changing the value of rewards after people sign up and earn them. New problems have been created by the growth of co-brand credit cards and rewards programs where consumers can transfer miles or points to merchants.

"Credit card companies promise upfront benefits for signing up and using their rewards card, but often bury complex terms in the fine print for using the rewards," said CFPB Director Rohit Chopra. "The CFPB will be looking for ways to protect people's points, stop bait-and-switch scams, and promote a fair and competitive market for credit card rewards."

Credit card rewards programs have become increasingly complex in recent years. Especially for credit cards with high annual fees, a key part of attracting consumer interest comes from benefits like getting airline miles or hotel points and access to exclusive lounges and loyalty status that affords premium service or additional perks. Introductory offers have existed since the first rewards cards, but their amount and prevalence has dramatically climbed. Nearly 1-in-10 dollars earned by consumers in rewards are linked to sign-up bonuses.

The CFPB has received a growing number of complaints on how these rewards programs have been administered. As mentioned in today's report, consumers have encountered numerous issues in using these programs, including:

- **Credit card issuers impose vague or hidden conditions that keep consumers from receiving rewards:** Consumers indicate that requirements detailed in the fine print of rewards programs' terms and conditions do not match marketing materials, turning sign-up offers or other promotional rewards into a "bait and switch."
- **Companies devalue rewards**: Consumers mention that issuers and merchant partners reduce the value of rewards already earned by increasing the number of points or miles needed for a redemption. Consumers also observe that card issuers do not protect them from rewards program partner decisions to remove benefits from rewards programs or increase requirements for achieving status.
- **Consumers encounter redemption issues with earned benefits**: Consumers describe customer service issues and technical glitches that block or delay redemption, which prevent an easy transfer of rewards to third-party merchants. Issuers often redirect cardholders to partners and fail to reinstate rewards when consumers are unable to redeem them through no fault of their own.
- **Companies revoke previously earned rewards**: Consumers indicate their points, cash back, and miles vanish when an account closes. Consumers also describe financial institutions revoking rewards on open and active accounts through expiration policies, which is often done without prior communication.

Federal consumer protection laws apply to rewards programs offered in connection with consumer financial products or services. The CFPB has taken action against credit card issuers such as American Express (cfpb.gov/about-us/newsroom/cfpb-orders-american-express-to-pay-85-million-refund-to-consumers-harmed-by-illegal-credit-card-practices/) and Bank of America (cfpb.gov/about-us/newsroom/bank-of-america-for-illegally-charging-junk-fees-withholding-credit-card-rewards-opening-fake-accounts/) for engaging in unfair, deceptive, or abusive acts or practices related to rewards programs. CFPB will continue to monitor credit card rewards programs and will take necessary action on these issues as appropriate.

Read the report, *Credit Card Rewards* (cfpb.gov/data-research/research-reports/issue-spotlight-credit-card-rewards/).

Consumers can submit complaints about financial products or services by visiting the CFPB's website or by calling (855) 411-CFPB (2372).

Employees who believe their company has violated federal consumer financial laws are encouraged to send information about what they know to whistleblower@cfpb.gov.

The Consumer Financial Protection Bureau is a 21st century agency that implements and enforces Federal consumer financial law and ensures that markets for consumer financial products are fair, transparent, and competitive. For more information, visit www.consumerfinance.gov (http://www.consumerfinance.gov/).

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