

Banking and Finance Law Daily Wrap Up, CREDIT, DEBIT AND GIFT CARDS—CFPB report details consumers' complaints about credit card 'rewards' programs, (May 9, 2024)

Banking and Finance Law Daily Wrap Up

[Click to open document in a browser](#)

By Steven Melendez

Confusing redemption requirements, changing terms, customer service issues, and points cancellation all drew cardholder frustrations, according to the report.

The Consumer Financial Protection Bureau (CFPB) has released a report outlining consumer frustrations with credit card rewards, reminding card issuers that consumer protection laws apply to such programs. "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 in a statement. "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."

Rewards have become a big business, with consumers earning more than \$40 billion in rewards on general-purpose credit cards from major issuers in 2022 alone, up more than 50 percent from 2019, according to the May 2024 [report](#). The average value of rewards has also gone up from 1.4 cents per dollar spent to 1.6 cents over that time, as issuers look to incentivize spending and new card signups, according to the report.

But the programs have also seen a rising number of complaints. The CFPB received more than 1,200 complaints about credit card rewards in 2023, up more than 70 percent since before the pandemic.

"Some of these complaints reflect perennial issues involving the administration of credit card rewards, such as consumers claiming credit card companies denied them benefits after they met program requirements," according to the report. "Others suggest that 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."

Complaints can start soon after consumers sign up for new cards, then realize that terms in the fine print make them ineligible for big bonuses for early spending touted by banks. Credit card issuers typically advertise rewards at least as prominently as features like interest rates and fees, according to the report, even though consumers who don't pay their balances each month typically pay more in interest and fees than they receive in rewards. In some cases, rules about what type of spending is eligible to trigger sign-up bonuses, how many bonuses customers can receive from a particular bank, or even how customers have to apply for a card to be eligible have meant consumers don't get rewards they are expecting after spending money on a card and having card applications reflected in their credit scores.

"The CFPB found in an enforcement action that one issuer, Bank of America, violated the law when it offered sign-up bonuses only through online applications without clearly disclosing this limitation in marketing materials," according to the report.

Consumers also had complaints about card issuers and partner merchants, like hotels and airlines, changing the terms for redeeming rewards. That meant points they had already accumulated could suddenly be worth less when they went to redeem them for goods or services like hotel stays or flights. Some programs have also moved to more dynamic pricing, meaning it's difficult to predict in advance how many points are needed for a particular trip or stay.

And if consumers cancel cards—or banks cancel their cards for any reason—they often lose any accumulated rewards points. Banks can also require consumers to forfeit rewards for other reasons, and some points expire over time, which may not be clear or consistently enforced, according to the CFPB.

"This means banks benefit from marketing high promotional bonuses and earning rates but do not end up paying out the full cost of those offers," according to the report. "Every quarter, four percent of accountholders loses access to at least some of their rewards."

Even when consumers have the points necessary to redeem for a reward like travel, technical problems and customer service issues can sometimes make that difficult, according to the report. That can lead to hours spent on hold or weeks of waiting while banks and partner companies investigate the issues, sometimes meaning travel deals or planned trips have come and gone by the time points can be used.

"Delays can cost consumers given the quickly changing availability and value of many common redemptions, especially travel," according to the report. "A deal available on Monday can easily be gone by Friday, much less weeks later once a transfer issue is resolved."

Companies: Bank of America

RegulatoryActivity: CFPB CreditDebitGiftCards FairCreditReporting UDAAP