

Banking and Finance Law Daily Wrap Up, CREDIT, DEBIT AND GIFT CARDS—CFPB warns of ‘deceptive’ credit card rewards programs, (Dec. 18, 2024)

Banking and Finance Law Daily Wrap Up

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By Carrie DeLeon

Large credit card companies often play a “shell game” and deny customers the rewards they are entitled to, the Consumer Financial Protection Bureau warned today.

Some companies may be violating federal law, including by illegally devaluing rewards points and airline miles, the Consumer Financial Protection Bureau said in a notice issued to other law enforcement agencies. The circular [released](#) by the Bureau clarifies that issuers violate the law if they or their rewards partners “devalue earned rewards or otherwise inhibit consumers from obtaining or redeeming promised rewards” (CFPB, Consumer Financial Protection [Circular 2024-07](#)).

“Large credit card issuers too often play a shell game to lure people into high-cost cards, boosting their own profits while denying consumers the rewards they’ve earned,” said CFPB Director Rohit Chopra. “When credit card issuers promise cashback bonuses or free round-trip airfares, they should actually deliver them. The CFPB is taking aim at bait-and-switch tactics and promoting more competition in credit card markets to protect consumers and give people more choice.”

The CFPB found that companies are increasingly using credit card rewards to encourage consumers to apply for and use specific cards. Since 2019, more than 90 percent of general-purpose credit card spending occurred on rewards cards.

“In today’s marketplace, credit card issuers often promise cash, points, and miles sign-up bonuses to consumers, as well as rewards for certain types of spending. Consumers have reported to the CFPB that these rewards can be difficult to redeem or are sometimes devalued by policy changes by partners,” CFPB said.

In today’s circular, CFPB clarifies that companies may violate federal law if they devalue earned rewards, hide the conditions for earning or keeping rewards, and fail to deliver promised benefits.

“Companies operating rewards programs are responsible for ensuring consumers can redeem the rewards they have earned, including coordinating with merchant partners and vendors. If system failures result in consumers losing points when attempting to redeem, this may be considered an unfair or deceptive practice,” CFPB said.

The CFPB additionally released [research](#) finding that retail credit cards charge higher interest rates than traditional credit cards. The research, among other things, highlights the popularity of retail cards. One out of every four credit card accounts is a private label retail card, with over 160 million open accounts in 2024, CFPB said. The CFPB found that retail cards—more than 80 percent of which are issued by four large banks—are more expensive than general purpose cards are more than 90 percent of retail cards report a maximum annual percentage rate above 30 percent.

The CFPB said that consumers have filed complaints about their experiences with credit card companies and reported experiencing “aggressive sales tactics at the point of sale, inability to redeem promotions, and frustration with paper statement fees and late fees.” Consumers also report receiving credit cards when they believed they were registering for a free loyalty program.

Lastly, the CFPB launched [Explore Credit Cards](#), an online tool that helps consumers explore and comparison shop for credit cards based on factors such as credit score range, interest rates, fees, and rewards offerings.

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