

CFPB Hints at Future Regulatory Action Targeting Credit Card Rewards Programs

May 17, 2024

On May 9, 2024, the Consumer Financial Protection Bureau (CFPB) [published a report](#) highlighting common themes in complaints received from consumers, including mismatches between marketing and actual terms, devaluations of rewards due to shifting redemption requirements, technical issues with redemption, and unexpected revocations of points. The same day, the CFPB and the Department of Transportation held a joint hearing to examine airline and credit card rewards programs.

The four recurring issues highlighted in the report align with the CFPB's goals for the market, [as shared by CFPB Director Rohit Chopra](#) during the May 9 hearing. Chopra noted that the CFPB has been "carefully studying this market" and has four goals to address concerns:

1. Protecting points against devaluation.
2. Stopping "bait-and-switch scams."
3. Examining exclusive deals between airlines and credit card companies to even the playing field for smaller credit card issuers in terms of offering rewards.
4. Promoting competition on interest rates.

Key findings

Rewards programs occupy a central focus in many credit card issuers' marketing efforts, and they are a key consideration for consumers in deciding not only which cards to apply for, but which cards to use at any given point of sale. In recent years, credit card rewards programs have surged in popularity and importance for consumers and issuers.

As we've outlined below, the CFPB identified four recurring issues across several hundred complaints it analyzed regarding credit card rewards programs.

Mismatch between marketing and fine print

The CFPB received complaints about discrepancies between rewards reflected in marketing materials versus those in credit card rewards terms and conditions. Consumers experiencing what the CFPB calls "bait-and-switch scams" described applying for a credit card with certain advertised rewards, but instead receiving an inferior promotion. The report also highlights situations in which issuers promoted credit cards through several different channels but only offered the promotion in one channel. The CFPB has taken action against this conduct before, previously finding in an enforcement action that one large card issuer violated the law when it offered sign-up bonuses only through online applications without clearly disclosing this limitation in its marketing materials.

Devaluation of rewards

The CFPB notes consumers' concern that card issuers and co-brand companies can change reward program terms at any time

and, in many cases, without notice. As a result, consumers may receive lesser value when redeeming rewards than initially promised.

Redemption issues

The report highlights consumer complaints regarding customer service and technology troubles impeding consumers' ability to redeem rewards or timely resolve issues. For example, some consumers complained about being redirected repeatedly between an issuing bank and merchant partner, with neither party seemingly able to ascertain the source of a particular problem. In other instances, consumers complained that redemption portals went down for maintenance for weeks, and two different systems could not reconcile a variation in cardholder names. Both scenarios led to a prolonged period of consumers not being able to redeem their points.

Revocation of points

Though credit card companies generally can close an account without notice, consumers expressed frustration with a lack of notice of point revocation and the inability to use points before expiration.

What to expect

Although there are technically no laws or regulations governing reward programs, the CFPB has exercised its authority to prohibit unfair, deceptive, or abusive acts or practices to police programs. In connection with the report's release, the CFPB stated that it will "continue to monitor credit card rewards programs and work together with governmental partners to take necessary action on these issues where appropriate."

As Chopra noted in the [press release accompanying the report](#), 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."

Finally, the report says that rewards programs "distort the true costs of credit cards," which suggests that the CFPB may consider implementing a disclosure regime that would attempt to facilitate comparison shopping.

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