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CFPB Study Finds Consumers Pay More When Pricing Is Complex

May 6, 2024

On April 30, 2024, the **Consumer Financial Protection Bureau (CFPB) published a report** on a study investigating the effects of complex pricing structures and increased competition on consumer choices. The CFPB found that consumers were more likely to choose higher-priced products when pricing structures were complex, such as when consumers were shown various fees separately in connection with a transaction rather than being given an upfront, single all-inclusive price. In **its press release announcing the study's publication**, the CFPB stated that "complex pricing generally led to more detrimental outcomes for consumers."

Key findings and highlights

To conduct the study, the CFPB had participants interact in basic markets as buyers and sellers in a series of transactions. Sellers all offered the same or similar products, effectively creating only one difference between the transactions – the price of the product. In some instances, the sellers described the products they were offering using a single all-inclusive price and in other instances, the sellers described products using up to eight or 16 "sub-prices" (i.e., several prices that added up to one total price). The CFPB's experiment led to the following findings.

- **Complex pricing structures lead consumers to pay higher prices:** The CFPB found that the overall asking prices from sellers were 60% higher in markets with 16 sub-prices than those with one price and, on average, buyers ultimately paid more.
- **Buyers have difficulty comparing prices when products have complex structures:** The study showed that buyers were 15 times more likely to select a product with a higher price in markets with 16 sub-prices than in those with one price.
- **Increasing competition does not mitigate the problems associated with complex pricing:** On average, the CFPB found that although an increase in the number of sellers generally improved the "negative effects" of pricing complexity, it did not eliminate those effects.

CFPB continues to sound alarm on 'junk fees'

The research underscores the continued focus on "junk fees" from the CFPB and, more generally, the Biden administration. In its press release, the CFPB highlighted that using complex terms and pricing can pose challenges for consumers, stating that the "findings contribute to a growing consensus of research and real-world observations showing that junk fees increase overall prices beyond what a fair and competitive market would allow." Although the study was not tied specifically to a given consumer financial product or service, in announcing the study, the CFPB attempts to link the findings to its concerns across credit cards, deposit accounts, mortgages and auto loans. For example, the CFPB appears to point out that credit card pricing often includes interest rates, late fees, balance transfer fees and annual fees, while mortgages pricing is determined by interest rates, loan type, credit score, or down payment. Notably, the CFPB concludes its announcement of the study by inviting consumers to submit complaints about financial products through the CFPB's website and employees to submit whistleblower complaints to the CFPB.

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