

# CFPB criticizes credit card rewards programs

## Article

**The news:** Consumers are frustrated with credit card rewards programs, the **Consumer Financial Protection Bureau (CFPB)** alleged in a report. The CFPB said it will monitor credit card rewards programs and take action as appropriate.

- Cardholders with revolving balances often pay more in interest and fees than they get back on rewards, the CFPB said.
- And co-brand cards have made rewards programs even more complex.

The CFPB and the **Department of Transportation (DOT)** followed up the report release with a joint hearing on airline rewards credit cards.

### **What else does the report allege?**

- **Vague or hidden conditions keep consumers from receiving rewards.** Marketing materials mislead consumers and do not match requirements detailed in the fine print of rewards programs' terms and conditions.
- **Rewards get devalued.** Credit card issuers and their partners reduce the value of rewards already earned by increasing the amount needed for redemption.
- **Redemption issues block or delay earned benefits.** The report said customer service issues and technical glitches prevent cardholders from redeeming their rewards.
- **Earned rewards get revoked.** Consumers lose their rewards when they close their accounts, and some rewards expire without prior communication.

**The rebuttal:** This report and the public hearing were immediately criticized by credit card issuers.

- The **American Bankers Association (ABA)** said it was “yet another example of the CFPB putting politics over policy to the detriment of the very consumers it is charged with protecting.”
- The ABA also argued that the US credit card market is highly competitive, giving consumers thousands of rewards programs to choose from.

**The takeaway:** It is unclear if any action will occur as a result of the CFPB's continued monitoring.

But given the importance consumers place on credit card rewards, actions that are too stringent could become a large stumbling block for issuers. The top reason for switching card providers is to find a better rewards program, according to JD Power.