

The CFPB hopes to shed light on potentially-harmful credit card practices

Article

The news: The Consumer Financial Protection Bureau (CFPB) is looking into business practices used by credit card companies and ways to improve consumers' experiences with

credit cards, [per](#) a blog post.

More on this: The consumer protection watchdog highlighted three key focuses.

- **Uncovering anti-competitive practices.** The CFPB is looking for evidence of organized behavior from major credit card players. For instance, it said that since 2014, major credit card companies have withheld information from credit bureaus regarding customer repayment patterns—which they had previously shared. This makes it hard for other card issuers to offer consumers competitive pricing.
- **Making it easier for consumers to compare, switch, or refinance credit cards.** The watchdog said that consumers don't have a fair way to shop for the best credit card deal: Consumers who want to check what rate they qualify for usually have to apply for the card, which requires a hard credit check that can hurt their score—making it less appealing to shop across offers. The CFPB also noted that many credit cardholders have a hard time refinancing their cards or switching issuers.
- **Scrutinizing “junk” fees.** The CFPB said that many credit card companies still rely heavily on fees despite regulations aimed at getting rid of predatory practices. It noted that companies earn billions of dollars on things like cash advance fees, balance transfer fees, and foreign currency fees—and suggested that competition hasn't effectively driven down those costs.

Why it's worth watching: The CFPB's look into credit card practices highlights some of the key card attributes consumers care most about.

- **Just over one-quarter (25.51%) of US consumers said a low interest rate** was the top feature they look for in a credit card, [according to](#) The Motley Fool. But with no straightforward way to shop for a card that offers a competitive interest rate, customers may not get the best rate. A clearer system to shop for a card could ensure customers get the best deal possible—helping improve customer satisfaction.
- Consumers also really care about fees: **22% of consumers said no annual fee** was the most important feature they look for in a credit card, per The Motley Fool. But many customers may be unaware of other fees they're being charged, or why—which may be why the CFPB wants to take a deeper look at fees. Clearer fee structures could solve this problem and create healthy competition in the credit card industry.

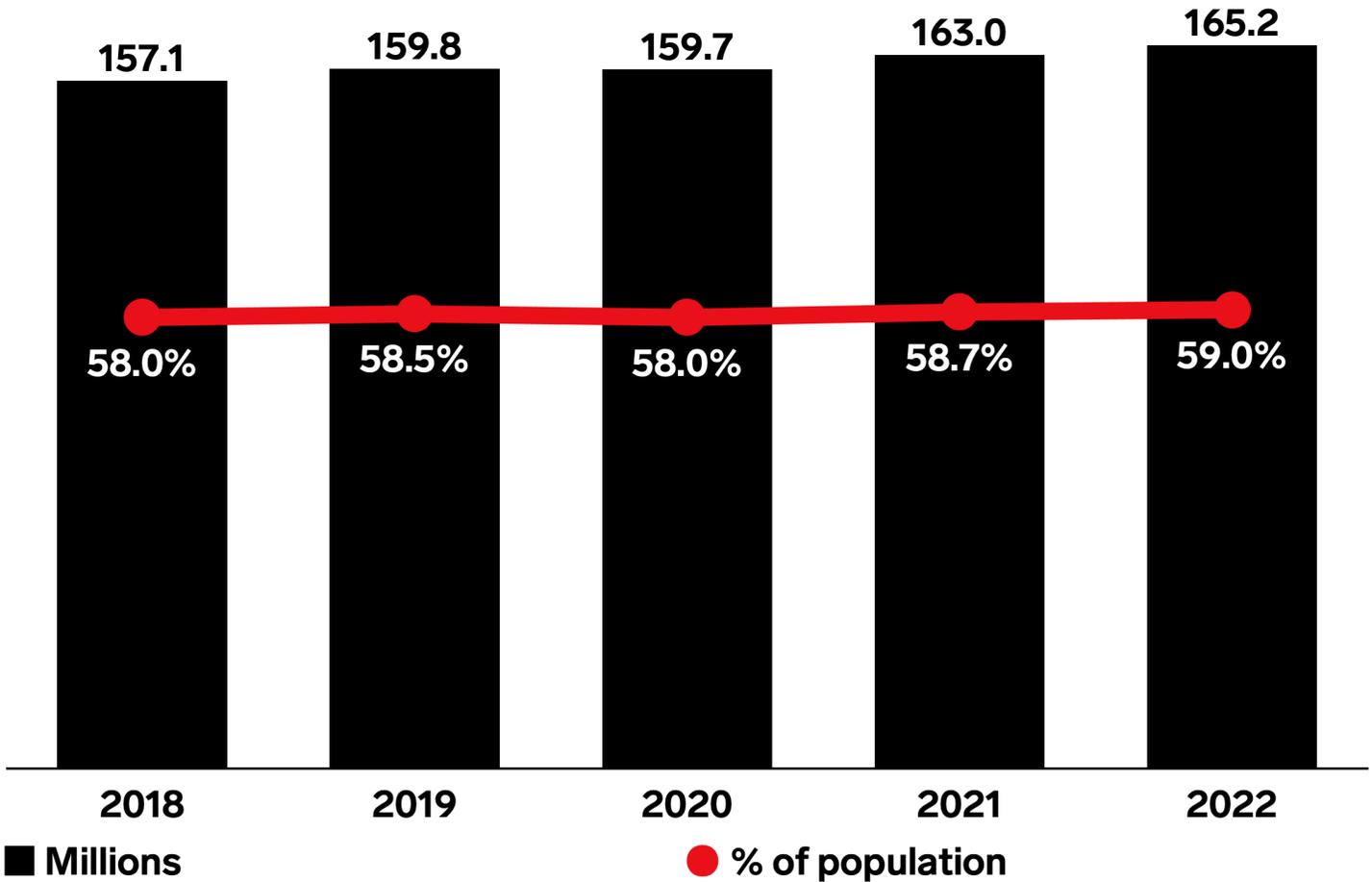
The bigger picture: The CFPB is keeping a closer eye on consumer credit products. It's [revisiting](#) how pay advance products are categorized, with a CFPB official saying that some

may count as loans. And in December, it [opened](#) an inquiry into major buy now, pay later firms to determine the financial risks and benefits these offerings provide.

Related content: Check out the [“Credit Cards in the ‘Next Normal’”](#) report to learn about the strategies credit card companies are adopting to boost growth.

In-Store Credit Card Users

US, 2018–2022



Note: ages 14+; consumers who make an in-store purchase at least once per month using a credit card; includes purchases at retail stores and food services and drinking places; excludes proximity mobile payment transactions

Source: Insider Intelligence, December 2020

Methodology: Estimates are based on the analysis of data from the US Department of Commerce and the Federal Reserve, estimates from other research firms, reported company revenues, historical trends, consumer buying trends, and macro-level economic conditions.

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