

Goldman Sachs' credit card business may be in hot water

Article

The news: Goldman Sachs is reportedly set to post a **\$2 billion loss** for its **Platform Solutions** unit, which houses its credit card and installment lending offerings, people familiar with the matter told Bloomberg. The sources cited increased expenses and new accounting regulations that required the bank to set aside money for lending loss provisions.

The bank is also preparing to **cut 3,200 jobs**, most of which will come from its trading and banking units, the people said.

Why it's worth watching: Goldman Sachs has pushed into consumer banking in recent years. It invested heavily in building out its credit card business, which includes the Apple Card and several other co-brands.

But it hasn't been easy for Goldman to break into the card sector.

- The **Consumer Financial Protection Bureau (CFPB)** is looking into its card business, according to an August regulatory filing. The bureau is investigating the “application of refunds, crediting of nonconforming payments, billing error resolution, advertisements, and reporting to credit bureaus.”
- Sources told CNBC that Goldman Sachs struggled to manage Apple Card customer complaints and couldn't keep up with the influx of chargebacks.
- A month later, Abhi Pabba, a former Apple executive who helped manage credit risk for the Apple Card, left to join credit card startup X1.

The big takeaway: Spending more to invigorate its card unit as it seeks to compete with big-name issuers may have contributed to Goldman Sachs' multibillion-dollar loss. Economic headwinds might also be weighing down on its balance sheet, leading it to cut headcount.