

NOVEMBER 30, 2011

Consumer Response

Interim report on CFPB's credit card complaint data

Introduction

The Consumer Financial Protection Bureau (CFPB) was created when Congress passed and President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act. A critical component of the CFPB's work is its interface with the public, which includes listening and responding to consumers about financial products and services. As part of the CFPB's July 21, 2011 launch, it established a Consumer Response office and a system for addressing consumer complaints.

The complaint system – which includes a toll-free number and a form on the CFPB website – began with a focus on credit cards. The CFPB chose this financial product because of its wide use, and because credit card problems have been historically among the highest kinds of consumer grievances.

This report summarizes the first three months of the CFPB's Consumer Response complaint system and its work on credit card complaints.¹ Going forward, the Bureau plans to provide similar credit card complaint data reports as part of a formal credit card complaint data disclosure policy. The Bureau is publishing a proposal for that data disclosure at the same time as this interim report. As the complaint system matures and a formal policy is developed, future reports may present more detailed information.

In the CFPB's first three months, less than half of the calls that Consumer Response handled resulted in the filing of a credit card complaint. Instead, most of the calls resulted in taking general feedback from consumers or directing consumers to credit card informational resources or just answering general questions about credit card processes.

Although the complaint system currently focuses on credit cards, consumers can still contact the CFPB about non-credit card issues. The Bureau answers those inquiries and makes sure the consumer is referred to the right resources. For example, Consumer Response directs distressed homeowners to the Homeowners HOPE™ Hotline; and Consumer Response directs homeowners who are servicemembers or veterans to the Department of Veterans Affairs' Home Loan Office.² The Bureau has also created a "Tell Your Story" feature on its website that gives consumers the opportunity to share their experiences – positive or negative. Those submissions help inform the Bureau's overall work across financial products and services.

How the Credit Card Complaint System Works

Since its launch, the CFPB has been taking credit card complaints on its website and by telephone, mail, fax, and by referral from other agencies. Whenever possible, Consumer Response uses the best technology to make the process more efficient and user-friendly for consumers and financial institutions. For example, for

¹ In cooperation with other federal regulators, the CFPB has taken a phased approach to the scope of its Consumer Response. This approach enables the CFPB to staff and build the infrastructure and processes needed to provide a service that is trusted, easy to use, and effective. The CFPB will continue to improve the consumer complaint intake processes, enhance automated communication with companies, and ensure the system's ease-of-use and effectiveness for consumers. Until Consumer Response has fully phased in all consumer financial products and services, certain complaints are being referred to other regulators for handling.

² The Homeowners HOPE™ Hotline provides distressed homeowners free access to HUD-approved housing counselors to assist with a range of needs such as financial counseling, budget management, options for loan modifications, and options for exiting the home. The Department of Veterans Affairs provides servicemembers and veterans with one-on-one assistance to help them avoid foreclosure.

consumers, the CFPB's toll-free phone number provides services in 191 languages, and the Bureau provides services for hearing- and speech-impaired consumers. For financial institutions, the CFPB provides a secure email box for communicating directly with dedicated staff about technical issues. To date, CFPB contact centers handle calls with little to no wait times.

Once a consumer submits a formal credit card complaint and Consumer Response determines that it is within the Bureau's jurisdiction, the information is sent via a secure web portal to the credit card issuer.³ The issuer reviews the information, communicates with the consumer as appropriate, and determines what action to take in response. Then the issuer reports to the CFPB how it has responded, and the CFPB invites the consumer to review the issuer's response. Throughout this process, a consumer can log onto the CFPB's secure "consumer portal" or call the toll-free number to receive status updates, provide additional information, and review responses provided to the consumer by the credit card issuer. The CFPB performs additional review and investigation for complaints where the issuer fails to respond or where the response it provides is disputed by the consumer.

An interim report on CFPB's credit card complaint data

Aggregate data

The following tables present aggregate data on credit card complaints received by CFPB in the first three months of operations. The data present a "snapshot" status report of these complaints as of November 15, 2011. The data cover the pre-investigative phase of complaint handling.

Table 1 shows the CFPB's initial actions with respect to the 5,074 credit card complaints that consumers submitted to us between July 21, 2011 and October 21, 2011.⁴ The overwhelming majority of such complaints – about 84 percent to date – have been sent to credit card issuers for review and response. Five percent were deemed incomplete within Consumer Response either because the consumer provided insufficient identifying information (such as a blank entry in the name data field) or because the consumer requested that the complaint not be sent to the issuer for a response. The remaining complaints were still pending on November 15. These include complaints sent back to consumers for additional information (3.4 percent of total complaints), and complaints under review at CFPB (7.8 percent of total complaints).

³ Consumer credit card complaints concerning a depository institution with less than \$10 billion in total assets (other than those that are affiliates of a large depository institution) are referred to the appropriate federal prudential regulator (e.g. the FDIC, NCUA, OCC, or Federal Reserve). Complaints are also screened based on a number of other criteria, including duplicative submissions by the same consumer, submission by a whistleblower, and incompleteness.

⁴ This total excludes 249 complaints that the CFPB referred to other regulators. It also excludes multiple complaints submitted by a given consumer on the same issue, as well as whistleblower tips. The table includes complaints submitted to other regulators and referred to the CFPB as well as complaints submitted directly to the CFPB.

Table 1: Credit Card Complaints Received and Actions Taken

	Cases	Percentage
Sent to Credit Card Issuer	4,254	83.8%
Incomplete	254	5.0%
Pending with Consumer	172	3.4%
Pending with the CFPB	394	7.8%
 TOTAL	5,074	100.0%

Table 2 shows how issuers responded to the 4,254 complaints they received from the CFPB. Issuers have responded to nearly 94 percent of these complaints as of November 15. Issuers reported either full or partial resolution of 74 percent of the forwarded complaints. In reviewing the complaints, the CFPB has noticed that the terms “full resolution” and “partial resolution” may not have been used consistently. As a result, CFPB will be revising these categories to assure more consistent reporting across issuers. Table 2 merges these two resolution categories into one single category for present reporting purposes.

Table 2: Company Review of Credit Card Complaints

	Cases	Percentage
Issuer reported full or partial resolution	3,151	74%
Issuer reported no relief	845	19.8%
Issuer reviewing	258	6.1%
 TOTAL	4,254	100.0%

Table 3 shows how consumers responded to the 3,151 complaints that issuers reported as resolved. Consumers are asked to notify the CFPB within 30 days if they want to dispute an issuer’s response. Seventy-one percent of these consumers did not dispute the responses provided. Approximately 13 percent of consumers have disputed the responses provided. The rest remained pending with the consumer as of November 15.

Table 3: Consumer Review of Resolutions Reported by Companies to Credit Card Complaints

	Cases	Percentage
Pending consumer review of issuer's reported resolution	513	16.3%
Consumer did not dispute issuer's reported resolution	2238	71.0%
Consumer disputed issuer's reported resolution	400	12.7%
 TOTAL	3,151	100.0%

Finally, Table 4 shows the breakdown of the same three-month data set by credit card grievance type. The consumer selects the complaint type when he or she submits a complaint. Initial investigations suggest that consumers do not have a consistent understanding of these category options. As a result, this list is under review and may be revised over time so that it reflects as closely as possible the nature of the credit card complaint received. The column of percentages does not sum exactly to 100 percent because of rounding.

Table 4: Credit Card Complaints by Type as Identified by Consumer

Advertising and marketing	173	3.4%
Application processing delay	20	0.4%
APR or interest rate	556	11.0%
Arbitration	15	0.3%
Balance transfer	70	1.4%
Balance transfer fee	13	0.3%
Bankruptcy	12	0.2%
Billing disputes	681	13.4%
Billing statement	209	4.1%
Cash advance	18	0.4%
Cash advance fee	17	0.3%
Closing / Cancelling account	242	4.8%
Collection debt dispute	136	2.7%
Collection practices	201	4.0%
Convenience checks	11	0.2%
Credit card payment / Debt protection	224	4.4%
Credit determination	137	2.7%
Credit line increase / Decrease	146	2.9%
Credit reporting	197	3.9%
Customer service / Customer relations	118	2.3%
Delinquent account	25	0.5%
Forbearance / Workout plans	48	0.9%
Identity Theft / Fraud / Embezzlement	546	10.8%
Late Fee	162	3.2%
Other Fee	224	4.4%
Overlimit fee	14	0.3%
Payoff process	106	2.1%
Privacy	21	0.4%
Rewards	85	1.7%
Sale of account	13	0.3%
Transaction issue	120	2.4%
Unsolicited issuance of credit card	60	1.2%
Other	454	8.9%
TOTAL	5,074	100%

Other complaint information

As noted, the core focus of the CFPB's Consumer Response office is addressing complaints for individual consumers who submit their grievances and seek the help of the CFPB. However, the complaints also provide potential insights into issues within the credit card marketplace that may inform the CFPB across its full range of activities: supervision, enforcement, rulemaking, research, and consumer education. In that respect, the Bureau notes in this interim report a number of observations regarding credit card complaints received to date. In reporting these observations, however, the Bureau is mindful that they are drawn from a non-random sample of roughly 5,000 credit card consumers.

First, many complaints show consumers struggling to understand the terms of credit cards and associated products like debt protection services. These show a mismatch between consumer understanding and product function or issuer practice.

Second, complaints have revealed allegedly fraudulent charges to consumers' credit cards made by third parties. The complaint system has identified recurring scams and helped to obtain redress for defrauded consumers. In some cases, the Bureau has conferred with appropriate criminal authorities.

Third, there are a large volume of complaint cases in which the issuer and consumer present conflicting factual accounts. In many such cases, however, issuers have been willing to resolve the complaint.

What's next

The CFPB is working to expand the Consumer Response complaint system to new categories of financial products. Complaint and inquiry-handling for mortgages and other home-secured loans are scheduled to be ready by the end of 2011. The CFPB expects to be ready for a majority of consumer financial product complaints and inquiries by the end of 2012.

In addition, the Dodd-Frank Act requires that the CFPB provide public reports about the complaints it receives. The CFPB is issuing for comment a proposed policy for its disclosure of certain aspects of credit card complaint data, an issue of interest to many stakeholders. Policies regarding disclosure of complaint data for other products, such as mortgages, will be developed after the Bureau begins taking those types of complaints.

CFPB Consumer Response contact information

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