

Credit Card Rewards

Issue Spotlight



Consumer Financial
Protection Bureau

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Executive Summary

Rewards programs that promise consumers financial incentives for spending are a central feature of most consumer credit cards and dominate many issuers' marketing efforts. The role of rewards in the industry has grown substantially, as rewards programs have become increasingly expensive for issuers and important to consumers.

In 2023, the CFPB received over 1,200 complaints involving credit card rewards, a more than 70 percent increase over pre-pandemic levels.¹ Some of these complaints reflect perennial issues involving the administration of credit card rewards, such as consumers claiming credit card companies denied them benefits after they met program requirements.² Others suggest that new problems have been created by the growth of co-brand credit cards and rewards programs where consumers can transfer miles or points to merchants. Issuers are primarily responsible for the offering and administration of credit card rewards programs, but consumer complaints emphasize that credit card companies often claim there is little they can do about their own policies, technical systems, and partnership agreements. Prior CFPB research has shown that, for many borrowers, the benefits of rewards programs fail to exceed the costs of credit cards.³ Given this, it is important to better understand how credit card rewards programs directly affect consumers.

For this Issue Spotlight, we analyzed several hundred consumer complaints relating to the administration of credit card rewards programs and identified four recurring themes that resulted in consumers not receiving the rewards they were promised:

- 1) **Consumers fail to receive promotional rewards when financial institutions impose vague or hidden conditions:** Consumers indicate that requirements detailed in the fine print of rewards programs' terms and conditions do not match marketing materials, turning sign-up offers or other promotional rewards into a "bait and switch."

¹ See, e.g., CFPB, *Consumer Complaint Database*, (last accessed Mar. 18, 2024). These totals do not include rewards-related issues that consumers may raise in other issue categories (for example, issues with sign-up bonuses categorized as a problem with promotional offers, more generally).

² CFPB, *Consumer Response Annual Report* (Mar. 2018) at 25, https://files.consumerfinance.gov/f/documents/cfpb_consumer-response-annual-report_2017.pdf; CFPB, *Consumer Response Annual Report* (Mar. 2019) at 39, https://files.consumerfinance.gov/f/documents/cfpb_consumer-response-annual-report_2018.pdf; CFPB, *Consumer Response Annual Report* (Mar. 2020) at 34, https://files.consumerfinance.gov/f/documents/cfpb_consumer-response-annual-report_2019.pdf.

³ CFPB, *The Consumer Credit Card Market* (Oct. 2023) (2023 Report) at 68, https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2023.pdf.

- 2) **Consumers lose benefits that they previously earned when issuers and merchants devalue rewards:** Consumers state that issuers and merchants reduce the value of rewards already earned by increasing the number of points or miles needed for a redemption. They also say that card issuers do not protect customers from co-brand partner decisions to remove benefits from merchant “loyalty” programs or change requirements for achieving status.
- 3) **Consumers face obstacles in receiving their preferred redemptions when companies fail to quickly resolve rewards-related issues:** Consumers describe customer service issues and technical glitches that block or delay their redemptions, often by preventing the transfer of rewards to a third-party merchant. They also complain that issuers redirect cardholders to merchants and fail to reinstate rewards when cardholders are unable to redeem them through no fault of their own.
- 4) **Consumers suddenly lose rewards when issuers unilaterally revoke previously earned balances:** Consumers indicate that their points, cash back, and miles vanish when an account closes. They also describe financial institutions revoking rewards on open accounts through expiration policies, often without prior communication.

Federal consumer protection laws, including the Consumer Financial Protection Act’s prohibition against unfair, deceptive, or abusive acts or practices, apply to rewards programs offered in connection with consumer financial products or services. The CFPB has taken prior actions against credit card issuers that engaged in unfair, deceptive, or abusive acts or practices related to rewards.⁴ The CFPB will continue to monitor credit card rewards programs and work together with government partners to take necessary action on these issues as appropriate.⁵

⁴ CFPB, *CFPB Orders American Express to Pay \$85 Million Refund to Consumers Harmed by Illegal Credit Card Practices* (Oct. 1, 2012), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-american-express-to-pay-85-million-refund-to-consumers-harmed-by-illegal-credit-card-practices/>; CFPB, *CFPB Takes Action Against Bank of America for Illegally Charging Junk Fees, Withholding Credit Card Rewards, and Opening Fake Accounts* (July 11, 2023), <https://www.consumerfinance.gov/about-us/newsroom/bank-of-america-for-illegally-charging-junk-fees-withholding-credit-card-rewards-opening-fake-accounts/>.

⁵ For prior CFPB publications related to monitoring credit card rewards programs, see, e.g., CFPB, *Card Act Report* (Oct. 1, 2013) (2013 Report) at 82, https://files.consumerfinance.gov/f/201309_cfpb_card-act-report.pdf; CFPB, *The Consumer Credit Card Market* (Dec. 2015) (2015 Report) at 230, http://files.consumerfinance.gov/f/201512_cfpb_report-the-consumer-credit-card-market.pdf; CFPB, *The Consumer Credit Card Market* (Dec. 2017) (2017 Report) at 59, https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2017.pdf; CFPB, *The Consumer Credit Card Market* (Aug. 2019) (2019 Report) at 99, https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2019.pdf; CFPB, *The Consumer Credit Card Market* (Sep. 2021) (2021 Report) at 87, https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2021.pdf; 2023 Report, *supra* note 3, at 98.

1. Background

Credit card rewards programs are a common type of consumer incentive that encourage applications for and the continued use of a particular credit card product.⁶ Programs that are classified as rewards typically have common units of value that are awarded according to a pre-determined formula, or “earn rate” based primarily on purchase volume, and can be accumulated over time to be later redeemed for cash, goods, or services.⁷ The offering of rewards is a feature added on to credit cards and is not necessary for the underlying extension of credit or the processing of transactions and payments – indeed, not all credit cards have a rewards component.

1.1 Consumer Salience

Rewards play a substantial role in consumer credit card shopping and use.⁸ As dominant credit card issuers increasingly market credit card products based on rewards, rewards programs distort the true costs of credit cards, create a barrier to entry for would-be competitors, and make it harder for smaller issuers with often lower pricing to compete with sizeable rewards offerings by the largest banks.

CONSUMER DECISION MAKING

Rewards frequently influence credit card applications, as consumers report that rewards and sign-up offers are top factors influencing their shopping decisions.⁹ Issuers also promote reward features more prominently than other terms in marketing material: in one study, rewards were displayed on the front page of a sample of credit card offers over 94 percent of the time, more often than annual fees (78 percent), APRs (28 percent), and late fees (6 percent).¹⁰ After a consumer chooses to open a card, rewards continue to play a major role, often determining card

⁶ Reference in this report to any specific commercial product, service, firm, or corporation name is for the information and convenience of the public and does not constitute endorsement or recommendation by the CFPB. This report focuses on credit card rewards offered on general purpose cards that can be used at a variety of merchants, but rewards programs may also be offered in connection with other consumer financial products or services.

⁷ 2015 Report, *supra* note 5, at 209.

⁸ *Infra* note 9.

⁹ 2023 Report, *supra* note 3, at 98.

¹⁰ Hong Ru & Antoinette Schoar, *Do Credit Card Companies Screen for Behavioural Biases?*, at 14 (Feb. 21, 2023), BIS Working Paper No. 842, <https://ssrn.com/abstract=3549532>.

choice at point-of-sale.¹¹ However, rewards programs may decrease competition on price by raising switching costs for consumers.¹² Additionally, the authors of one Federal Reserve working paper found that cardholders with near-prime and subprime scores typically pay more in interest and fees on a rewards card than a card without rewards, even after accounting for the value of earned rewards.¹³ Finally, consumers with revolving debts on average pay far more in interest and fees than they get back in rewards: CFPB research has found that cardholders who revolve debt from one cycle to the next pay 94 percent of total interest and fees, but gain less than 30 percent of rewards benefits.¹⁴

BARRIERS TO COMPETITION

The upfront cost of offering sign-up bonuses and high earning rates may create a barrier to entry for smaller companies. With a drop in credit card debt during the pandemic, major credit card companies turned to increased rewards earning rates and record sign-up bonuses to incentivize applications and grow balances.¹⁵ The largest issuers spent increasingly more money on attracting consumers with rewards and marketing those products to prospective cardholders.¹⁶ While most credit card products offered by a sample of smaller issuers still provided cardholders with the opportunity to earn and redeem rewards,¹⁷ the upfront cost of many larger issuers' rewards offers may be more difficult to match.¹⁸ Few (if any) of these products with smaller issuers offered consumers the ability to earn and redeem rewards with major merchants like hotels or airlines.¹⁹ A relatively small number of multi-year partnerships between larger issuers and specific major merchants limit the product options for consumers seeking to redeem

¹¹ *Id.*

¹² Natasha Sarin, *The Salience Theory of Consumer Financial Regulation*, at 34 to 35 (Oct. 2018), https://scholarship.law.upenn.edu/faculty_scholarship/2010/.

¹³ Sumit Agarwal, et. al., *Who Pays For Your Rewards? Redistribution in the Credit Card Market* (Jan. 2023), <https://www.federalreserve.gov/econres/feds/who-pays-for-your-rewards-redistribution-in-the-credit-card-market.htm>.

¹⁴ 2023 Report, *supra* note 3, at 48 to 49.

¹⁵ 2023 Report, *supra* note 3, at 98.

¹⁶ In 2022, six of the biggest issuers reported spending more than 40 percent more on rewards than in 2019. Telis Demos, *Credit Card Rewards Are Heading Toward a Crisis*, Wall Street Journal (Apr. 2023), <https://www.wsj.com/articles/the-pandemic-didnt-end-card-rewards-it-made-them-stronger-20fd03c9>.

¹⁷ CFPB, *Terms of Credit Card Plans Data* (Jan. 1 to June 30, 2023), <https://www.consumerfinance.gov/data-research/credit-card-data/terms-credit-card-plans-survey/>.

¹⁸ Lindsey Suter, *Comment CFPB-2023-0009-2862*, Community Financial Credit Union (Apr. 19, 2023), <https://www.regulations.gov/comment/CFPB-2023-0009-2862>.

¹⁹ *Id.* For examples of airline and hotel credit cards offered in partnership with the largest issuers, see e.g., Benji Stawski and Alexandria White, *Get free breakfast, room upgrades and more with the best hotel credit cards*, CNBC (Mar. 21, 2024), <https://www.cnbc.com/select/best-hotel-credit-cards/>; see also, Bob Haegele, *Best airline credit cards in 2024*, AP Buyline (Mar. 20, 2024), <https://apnews.com/buyline-personal-finance/article/best-airline-credit-cards>.

rewards in a particular currency, potentially providing those few companies with market power to adjust other terms.²⁰ Smaller banks and credit unions have struggled to gain market share against larger issuers that dominate the market – rewards programs may help explain some of this discrepancy.²¹

1.2 Complexity

Credit card rewards programs are increasingly complex, as issuers have introduced both additional incentives beyond rewards earned as a flat-rate of total spending and the possibility of redemption through a greater number of channels. More credit card issuers award proprietary rewards currencies, such as “points,” that can be used for a wider variety of redemptions. The value of rewards currencies is set by the credit card issuer or merchant partner and can often fluctuate. Since at least 2019, an increasing share of rewards value has been awarded through promotional bonuses, increased earning rates on rotating merchant categories, or statement credits with complicated terms. Especially for credit cards with high annual fees, a key part of the value proposition comes from affiliated benefits like access to exclusive events or locations and status that affords premium service or additional perks.

THE RISE OF POINTS

Credit card issuers generally began offering rewards programs in the 1980s.²² Forty years later, approximately three-in-four general purpose credit card accounts are now rewards cards.²³ The

²⁰ While an airline or hotel rewards program may have multiple partners across various industries, they typically only have one domestic credit card issuer as a partner with whom they may have established an exclusive arrangement. See, e.g., Press Release: American Express and Delta Renew Industry-Leading Partnership, Lay Foundation to Continue Innovating Customer Benefits (Apr. 2, 2019), <https://www.businesswire.com/news/home/20190402005631/en/American-Express-and-Delta-Renew-Industry-Leading-Partnership-Lay-Foundation-to-Continue-Innovating-Customer-Benefits>; see also, Press Release: American Airlines, Citi, Barclaycard US, and MasterCard Announce New Credit Card Agreements (July 12, 2016), <https://americanairlines.gcs-web.com/news-releases/news-release-details/american-airlines-citi-barclaycard-us-and-mastercard-announce>; see also, Press Release: American Express and Hilton Announce New Hilton Honors Co-Branded Credit Cards (Nov. 1, 2017), <https://www.businesswire.com/news/home/20171101005899/en/American-Express-and-Hilton-Announce-New-Hilton-Honors-Co-Branded-Credit-Cards>.

²¹ CFPB, *Credit card data: Small issuers offer lower rates* (Feb. 16, 2024), <https://www.consumerfinance.gov/data-research/research-reports/credit-card-data-small-issuers-offer-lower-rates/>.

²² Diners Club International, *Diners Club History*, <https://www.dinersclub.com/about-us/history/>. (last accessed Feb. 14, 2024). Peter Greenberg, *Fearless Traveler: The New Travel Credit Cards*, The Washington Post (Aug. 31, 1985), <https://www.washingtonpost.com/archive/lifestyle/travel/1985/09/01/fearless-traveler/456c2846-9255-4c33-a52d-25c5c06de9ee/>; ABC News, *Airline Frequent Flyer Miles, 30 Years Later* (May 16, 2011), <https://abcnews.go.com/Travel/airline-frequent-flyer-miles-30-years/story?id=13616082>.

²³ 2023 Report, *supra* note 3, at 99.

share of consumer spending on cash back and points cards has generally increased since at least 2017,²⁴ and about half of rewards earned are on points-based and other similar products.²⁵

There are three primary types of rewards: cash back,²⁶ miles,²⁷ and points.²⁸ Cash back redemptions are relatively simple: consumers earn back a portion of their spending as a statement credit, deposit, or other cash equivalent with an explicit dollar value. Miles earned on a co-brand credit card go directly to the linked loyalty account and can be used for award flights or other services like upgrades, meals, or bags at a rate set by the airline. Points can often be used as cash back or turned into miles with transfer partners, but a consumer can also use points to buy merchandise, get a gift card, book travel through an issuer-branded portal, donate to charity, fund a college savings plan, apply to a purchase at check out, use towards a down payment, or even invest in the stock market or cryptocurrencies.²⁹ The value of a point can vary by redemption option, but it is typically estimated by major issuers to be worth about \$0.01.³⁰

PROMOTIONAL REWARDS

Consumers increasingly receive promotional rewards beyond those earned as a flat-rate of total periodic spending. The most common are sign-up bonuses, or lump-sum incentives that issuers offer to consumers who meet a certain level of spending within a set number of months upon opening the card. These introductory promotions existed even for some of the first rewards cards,³¹ but their value and prevalence have dramatically climbed since at least 2019.³² Now, almost one-in-ten dollars earned in rewards overall, and closer to one-in-five for consumers with below-prime scores, are associated with sign-up bonuses.³³ Cardholders might also receive lump-sum bonuses for referrals, cardholding “anniversaries,” or via retention offers.

Promotions are not limited to one-time bonuses. Issuers offer elevated earn rates or “category accelerators” (e.g., five points per dollar spent rather than one) for certain subsets of merchants,

²⁴ 2021 Report, *supra* note 5, at 88 and 89.

²⁵ 2023 Report, *supra* note 3, at 70.

²⁶ With cash back rewards, cardholders earn rewards with an explicit dollar value that can be redeemed for statement credits, checks, deposits to an account, or cash.

²⁷ With miles cards, cardholders earn airline-branded rewards with spending on cards.

²⁸ With points cards, cardholders earn proprietary rewards currencies through non-cashback issuer-managed programs, as well as through programs managed by third parties that are not airlines, such as hotel chains.

²⁹ 2023 Report, *supra* note 3, at 105.

³⁰ 2023 Report, *supra* note 3, at 70.

³¹ Fearless Traveler, *supra* note 8.

³² 2023 Report, *supra* note 3, at 104.

³³ *Id.*

often on a temporary or rotating basis.³⁴ Financial institutions also sometimes issue statement credits for particular purchases like hotel bookings or payments to a ride sharing service.³⁵ However, for many of these promotions, consumers need to be aware of the benefit and manually enroll by contacting the issuer via the designated channel. A similarly situated consumer who does not opt-in would not receive rewards on an otherwise eligible transaction.³⁶

AFFILIATED BENEFITS

Major issuers continue to introduce additional benefits that provide exclusive access to events, products, or services under the larger umbrella of rewards and merchant loyalty programs. With the return of travel and entertainment spending in 2021 and 2022, consumer demand for experiences like concerts, airport lounges, and restaurants was high.³⁷ Issuers are increasingly limiting access to such benefits to preserve exclusivity.³⁸ In addition, airlines and other merchant partners have announced changes to loyalty programs associated with co-brand cards to restrict access or increase requirements for achieving preferred status.³⁹

1.3 Cost

Major credit card companies' costs to provide credit card rewards have grown both overall and a share of purchase volume. Some issuers are paying merchant partners billions of dollars each year under partnership agreements for co-brand credit cards, largely to gain access to their customer base and proprietary loyalty programs.

³⁴ Issuers sometimes vary in how they define which merchants are included in a given category, like “travel” or “groceries,” potentially excluding particular merchants or setting narrow restrictions on valid purchases.

³⁵ Alexandria White, *What is a statement credit and how can you take advantage of it?*, CNBC (Oct. 29, 2020), <https://cnbc.com/select/what-is-a-statement-credit/>. See, e.g., Trina Paul, *Capital One is offering select cardholders 10% back on Uber purchases and a free Uber One membership*, CNBC (Mar. 14, 2024), <https://www.cnbc.com/select/capital-one-uber-partnership/>.

³⁶ 2015 report, *supra* note 5, at 233.

³⁷ 2023 report, *supra* note 3, at 106.

³⁸ Jason Stauffer, *American Express cuts Delta lounge access benefits from flagship cards — should you re-evaluate your credit card strategy?*, CNBC (Feb. 1, 2024), <https://www.cnbc.com/select/amex-delta-lounge-access-changes/>; Ryan Wilcox, *Capital One to cut lounge access for Venture Rewards and Spark Miles cardholders*, The Points Guy (Dec. 13, 2023), <https://thepointsguy.com/news/capital-one-removes-lounge-access-venture-rewards-spark-miles/>.

³⁹ Emily McNutt, *Delta is making it more expensive to earn elite status — here's how you can bypass the new requirements*, CNN (Aug. 28, 2023), <https://www.cnn.com/cnn-underscored/travel/delta-airlines-status-requirements-update>; Sean Cudahy, *Alaska Airlines raises lounge membership prices, tightens access*, The Points Guy (Nov. 9, 2023), <https://thepointsguy.com/news/alaska-lounge-restrictions/>; Zach Griff, *Why United's increased status thresholds might not be as bad as they seem*, The Points Guy (Nov. 11, 2022), <https://thepointsguy.com/news/united-premier-changes-not-so-bad/>.

COST OF PROVIDING REWARDS

Consumers earned more than \$40 billion in rewards on major issuers' general purpose credit cards in 2022, increasing over 50 percent from 2019 levels.⁴⁰ Much of the increase in credit card rewards costs is explained by greater consumer spending, as rewards expense is primarily a function of purchase volume.⁴¹ However, the average value of rewards earned has also grown from 1.4 cents per dollar spent in 2019 to 1.6 cents in 2022, as issuers reported increased rewards spending to incentivize applications and grow balances.⁴² In the United States, rewards are an expense for credit card issuers used to acquire and retain customers and to increase spending. Major credit card companies often report interchange revenue net of rewards expense in their periodic regulatory filings;⁴³ however, issuers may cover the cost through other revenue channels, such as through annual fees or merchant-funded offers.

CO-BRAND PARTNER PAYMENTS

The costs of credit card rewards are more complicated for co-brand credit cards offered in partnership with major airlines, hotels, and retailers.⁴⁴ In a co-brand relationship, banks bid for the right to leverage the brand recognition and loyalty program of a particular merchant to promote spending on a credit card product that will later generate revenue. These multi-year contracts are highly prized by a handful of large banks with the adequate scale, technological knowledge, and financial resources to participate in a request for proposal.⁴⁵ Generally, co-brand partners with extensive customer bases and significant market shares can negotiate greater concessions from issuers and may wield considerable influence over product terms, marketing commitments, and servicing standards. These relationships have proven to be important to overall bank valuations.⁴⁶

In co-brand relationships, issuers often make large payments to merchants for rewards as well as a number of other items, including (but not limited to) revenue sharing, origination bounties,

⁴⁰ 2023 report, *supra* note 3, at 69 to 70.

⁴¹ Spending increased 39 percent on general purpose cards from 2019 to 2022. 2023 Report, *supra* note 3, at 32.

⁴² 2023 Report, *supra* note 3, at 71 and 98.

⁴³ See, e.g., Capital One Financial Corporation, *2023 Form 10-K*, at 57 (Feb. 22, 2024), <https://ir-capitalone.gcs-web.com/node/55906/html>; see also, Discover Financial Services, *2023 Form 10-K*, at 68 (Feb. 23, 2024), <https://d18rnop25nwr6d.cloudfront.net/CIK-0001393612/f3103b18-c2f1-4357-aa14-331e3771515c.pdf>.

⁴⁴ "Co-brand" cards are a subset of general purpose products that include both the badge of a network and branding of a specific merchant.

⁴⁵ 2023 Report, *supra* note 3, at 26.

⁴⁶ For example, when American Express lost Costco as a co-brand partner, its stock fell 6.4 percent in one day. Robin Seidel, *AmEx-Costco Divorce Shakes Up Card Industry*, Wall Street Journal (Feb. 12, 2015), <https://www.wsj.com/articles/american-express-to-lose-costco-exclusivity-1423746408>.

and benefits like baggage fees or free nights.⁴⁷ In many co-brand partnerships, an issuer reserves the exclusive right to award points or miles for a particular merchant (such as an airline).⁴⁸ After a co-brand contract is awarded, the issuer will typically buy rewards from the co-brand partner (or its subsidiary) in bulk, providing the merchant with a consistent revenue stream from its proprietary loyalty program.⁴⁹ Some major issuers also offer rewards programs where cardholders can transfer issuer-branded rewards points to a merchant's currency outside of a co-brand relationship.⁵⁰ Once points or miles are awarded or transferred, the merchant then typically controls the value of rewards at the point of redemption (for example, the number of miles needed for a given flight or points for a hotel room) as well as the inventory available for reward redemption.⁵¹

During the COVID-19 pandemic, the importance of loyalty programs to many merchants became uniquely apparent, as major airlines relied on the issuers of their co-brand credit cards for loans and revenue through the sales of miles.⁵² The share of revenue generated by loyalty programs for the biggest U.S. airlines increased from 12 percent in 2019 to 16 percent two years later, and the return on investment for frequent flyer programs was far higher than the profits

⁴⁷ For their top co-brand partnerships, major banks made total net payments to merchant partners in excess of \$28 billion in 2022, a 34 percent increase from 2019 levels. Payments to partners for rewards like points, miles, or other discounts represent the vast majority of payments from issuers to merchants in co-brand relationships at 1.53 percent of purchase volume associated with these large co-brand portfolios. 2023 Card Report, *supra* note 3, at 26.

⁴⁸ One major issuer's spokesperson said, "many of the large travel partners do have exclusivity with other banks and other issuers," when discussing the transfer partners on a new product. <https://viewfromthewing.com/points-transfer-game-changer-5x-on-hotels-4x-on-flights-from-new-wells-fargo-card/>.

⁴⁹ Issuers will also often pay the merchant for associated benefits for a given loyalty program like lounge access or free checked bags.

⁵⁰ At the time of this report writing, American Express, Capital One, J.P. Morgan Chase, Citibank, and Wells Fargo offer credit cards that provide consumers the opportunity to transfer points to hotels and airline partnerships.

⁵¹ A review of reward seat availability for two major airlines by the Department of Transportation's Office of Inspector General in March 2015 found that 99 percent of round trip flights examined had award seats available, and 63 percent were available at the carrier's lowest award level, but only 13 percent of flights during a holiday week had award seats available at the lowest redemption level. See, Office of Inspector General, *Audit Report: Improvements Needed in DOT's Process for Identifying Unfair or Deceptive Practices in Airline Frequent Flyer Programs*, Office of the Secretary of Transportation, at 5 (Jun. 16, 2016), <https://www.oig.dot.gov/library-item/33493>. See also, Jason Steele, *The Sneaky Ways Hotel Programs Can Restrict 'Free' Award Nights*, The Points Guy (Nov. 19, 2019), <https://www.nerdwallet.com/article/travel/how-hotel-loyalty-programs-promise-free-nights-and-what-they-really-deliver>; see also, Delta Air Lines, *SkyMiles Investor Presentation*, at 17 (Sep. 14, 2020), <https://www.sec.gov/Archives/edgar/data/27904/000119312520244688/d27099dex991.htm>.

⁵² Leslie Josephs and Amelia Lucas, *Delta will use frequent-flyer program to back \$6.5 billion in debt*, CNBC (Sep. 2020), <https://www.cnbc.com/2020/09/14/delta-launches-6point5-billion-debt-deal-backed-by-its-frequent-flyer-program.html#:~:text=Delta%20Air%20Lines%20said%20Monday.backed%20by%20its%20SkyMiles%20program>; Leslie Josephs, *Airlines' frequent flyer programs prove a lifeline even as travelers stay home in pandemic*, CNBC (Oct. 2020), <https://www.cnbc.com/2020/10/14/airlines-frequent-flyer-programs-prove-a-lifeline-even-as-travelers-stay-home-in-pandemic.html>.

on the core business of providing flights.⁵³ In 2023, some merchants reported increases in loyalty-related revenue, also sharing expectations that this trend seemed poised to continue.⁵⁴

CHANGES TO REWARDS PROGRAMS

Given that rewards programs exist in large part to increase revenue, many credit card issuers have tried to preserve the ability to alter rewards programs or devalue rewards as a safety valve, putting consumers at a fundamental disadvantage. At the time of this report writing, many of the largest credit card issuers reserved the right to change their rewards program at any time, for any reason, and in many cases without notice in terms and conditions typically separate from the cardholder agreements, in which changes to some terms are restricted and/or require prior communication.⁵⁵ As a result, cardholders are responsible for repaying the costs of credit cards under threat of legal action, yet issuers engage in unilateral modifications that deny consumers the full value of promised benefits at will. In fact, forecasted earnings are often predicated on the assumption consumers will not redeem the full value of their rewards over the life of the account: some (but not all) companies discount the liability of outstanding rewards in their financial statements by the redemption rate, or the share of rewards balances they expect to ultimately be used.⁵⁶ If this rate declines when companies expand revocation policies or devalue previously-earned points, miles, or cash back, companies benefit from the associated savings.

⁵³ Rajesh Kumar Singh, *U.S. airline loyalty programs can provide buffer from possible recession*, Reuters (Apr. 4, 2023), <https://www.reuters.com/business/aerospace-defense/us-airline-loyalty-programs-can-provide-buffer-possible-recession-2023-04-04/>.

⁵⁴ E.g., Delta, *Q2 2023 Earnings Call* (Jul. 13, 2023); IHG, *Q4 2024 Earnings Call* (Feb. 20, 2024); American Airlines, *2024 Investor Day* (Mar. 5, 2024).

⁵⁵ See e.g., (among others), American Express, *Membership Rewards Program Terms and Conditions*, <https://rewards.americanexpress.com/myca/loyalty/us/catalog/tandc> (last accessed, Mar. 25, 2024); Citi, *Citi ThankYou Rewards Terms & Conditions*, <https://www.thankyou.com/cms/thankyou/tc.page?pageName=tcc> (last accessed, Mar. 25, 2024); Chase, *Chase Sapphire Preferred® with Ultimate Rewards® Program Agreement*, <https://www.chase.com/sapphire/rewardsagreement> (last accessed, Mar. 25, 2024); Wells Fargo, *Wells Fargo Rewards® Program Terms and Conditions and Addendum*, <https://consumercard.wellsfargorewards.com/#/tnc> (last accessed, Mar. 25, 2024).

Changes in some terms in credit card agreements, like increases in interest rates, are restricted by the Credit Card Responsibility and Disclosure Act of 2009 (CARD Act), 15 U.S.C. 1637(i). See also, 1026.9(c)(2).

⁵⁶ J.P. Morgan Chase, *2023 10-K*: “The rewards liability is sensitive to redemption rate (“RR”) and cost per point (“CPP”) assumptions. The RR assumption is used to estimate the number of points earned by customers that will be redeemed over the life of the account.” American Express, *2023 10-K*: “The Membership Rewards Ultimate Redemption Rate (URR) for current program participants was 96 percent (rounded down) at both December 31, 2023 and 2022.” Southwest Airlines, *2022 Annual Report to Shareholders*, “Under its current program, Southwest estimates the portion of loyalty points that will not be redeemed. In estimating the breakage, the Company takes into account the Member’s past behavior, as well as several factors related to the Member’s account that are expected to be indicative of the likelihood of future point redemption. ... For the year ended December 31, 2022, based on actual redemptions of points sold to business partners and earned through flights, a hypothetical one percentage point change in the estimated breakage rate would have resulted in a change to Passenger revenue of approximately \$152 million (an increase in breakage would have resulted in an increase in revenue and a decrease in breakage would have resulted in a decrease in revenue).”

2. Complaint Themes

As noted above, we analyzed several hundred consumer complaints relating to the administration of credit card rewards programs and identified four recurring themes: unexpected promotional conditions, devaluation, redemption problems, and revocation.

2.1 Unexpected Promotional Conditions

A recurring issue is when rewards policies as reflected in account documents differ from marketing materials, leading to consumers not getting what they claim was promised at the time of application.

“BAIT-AND-SWITCH” OFFERS

Consumers described applying for a card based on a more rewarding offer but later receiving an inferior promotion. Issuers promote credit cards through a number of different channels,⁵⁷ and rewards cards may have different terms or sign-up bonuses depending on the application method. One customer wrote, “*They advertise in big bold letters everywhere [the larger rewards offer]. Then somehow sneak the link [to the smaller rewards offer] in front of you.*”⁵⁸ Another said,

*“What made me go with this card is the specific promotion ... Fast forward, I was denied this benefit ... I asked [customer service representative] if this situation reminds him of the bait-and-switch tactics used by used cars salesmen.”*⁵⁹

⁵⁷ These channels include social media, digital advertising, and email in addition to traditional mail. For co-brand cards, partners also integrate advertisements into the physical point of sale experience, digital check out process, and, in the case of airline cards, in-flight announcements. Lewis Lazare, *American Airlines flight attendants incentivized to pitch credit cards*, Chicago Business Journal (May 8, 2018), <https://www.bizjournals.com/chicago/news/2018/05/08/american-airlines-flight-attendants-incentivized.html>.

⁵⁸ Consumer Complaint 5157496, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/5157496>.

⁵⁹ Consumer Complaint 5131675, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/5131675>.

The CFPB found in an enforcement action that one issuer, Bank of America, violated the law when it offered sign-up bonuses only through online applications without clearly disclosing this limitation in marketing materials.⁶⁰

SIGN-UP BONUS LIMITATIONS

Other consumers reported failing to receive a promotional offer due to hidden or vague conditions.⁶¹ For example, one common restriction is limiting the number of times a customer can earn a sign-up bonus. Consumers described being sent targeted marketing, signing up for a card, meeting the spending requirements, and only finding out months later they were never eligible for the promotion in the first place.⁶² One wrote, “*I received a credit pull on my credit history to open this account and it would be a shame if I opened the card for an offer I thought I was eligible for but cannot get.*”⁶³

Other consumers reported being left confused and frustrated about which purchases count towards spending minimums for promotional bonuses. Typically, issuers do not consider cash equivalents like gift cards to count towards a promotional spending minimum. One consumer wrote she was unaware that gift cards were ineligible for meeting the spending minimum and was only informed after the promotional period ended: “[Bank] took three months to inform me about my eligibility to receive the bonus, thus squandering my opportunity to fulfill my requirements.”⁶⁴ In the case of returns or disputes, banks will often reverse rewards earnings and reduce the eligible spending towards the requirement. One consumer wrote,

*“In order to get my reward points from them I needed to spend \$1,000 within 90 days. I quickly spent over \$1,000. What I didn't realize was that a \$20 return went against this credit card. ... The representative told me that I only had \$990 on my account, but that my 90 days were not up, and I could make a purchase and get my points. I immediately made a \$10 charitable contribution. ... Today, I was told I wouldn't get my bonus points.”*⁶⁵

⁶⁰ Bank of America, *supra* note 4.

⁶¹ In 2022, about one-in-four consumers eligible for a promotional bonus fail to meet the requirements to earn it. 2023 Report, *supra* note 3, at 104.

⁶² Consumer Complaint 2043780, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2043780>.

⁶³ Consumer Complaint 2124042, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2124042>.

⁶⁴ Consumer Complaint 2199230, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2199230>.

⁶⁵ Consumer Complaint 2477202, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2477202>.

“CHURNING” PROHIBITIONS

More broadly, some issuers have included catch-all language in their terms and conditions, reserving the right to revoke an offer if the company determines account behavior matches patterns of gaming or abuse that are generally referred to as “churning.”⁶⁶ “Churning” is where a consumer repeatedly opens a card, meets the minimum spending requirement, receives an introductory bonus, uses the rewards, and then cancels the product.⁶⁷

Issuers create policies that limit crediting rewards to consumers whose behavior matches activity they deem as “gaming” or “abuse” to protect their average profitability per account; however, this activity is rarely clearly defined.⁶⁸ Banks typically amortize the cost of up-front promotional bonuses over a multi-year period, where the additional interchange, interest, and fee revenue from a given account offset the initial rewards expense.⁶⁹ If a card is only opened to earn that lump sum and then is immediately closed, the bank likely loses money on the cardholder and would want to limit future expenses associated with that consumer. For example, in one complaint, a consumer closed two accounts, first after finding an airline card not useful and another in the case of impending devaluation. This consumer later found they were denied a promotional offer after opening a new product.⁷⁰

In the case of at least one issuer, consumers reported being required to pay back previously redeemed rewards value after they closed their account within a certain period of time. One consumer described cancelling a card that was not as useful as they had hoped and finding out the consumer would need to pay back a previously earned promotional bonus:

“I had to call customer service to find out a requirement to keep the account open for 12 months in the mailing not anywhere in the glossy, colorful marketing letter and accompanying application, but instead no doubt buried deep in the fine print ...

⁶⁶ E.g., Barclaycard, *JetBlue Plus Mastercard Reward Rules*, https://static.barclaycardus.com/servicing/9c8e3bb4/img/jbe/rewardsTnC/JBE_GEN_REWRUL_WEB_BAR-7979-5_FINAL.pdf (last accessed Feb. 14, 2024); American Express, *Membership Rewards Program Terms and Conditions*, <https://www.americanexpress.com/content/dam/amex/us/rewards/membership-rewards/mr-terms-conditions-11.21.2023.pdf> (last accessed Feb. 14, 2024).

⁶⁷ Louis DeNicola, *What is Credit Card Churning*, Equifax (Oct. 28, 2023), <https://www.experian.com/blogs/ask-experian/what-is-credit-card-churning/>. Online communities dedicated to optimizing rewards earning strategies have membership into the hundreds of thousands. For one example of an online community dedicated to optimizing credit card offers, see Reddit, <https://www.reddit.com/r/churning/> (last accessed Feb. 14, 2024).

⁶⁸ See, *supra* note 66.

⁶⁹ Berkeley Lovelace Jr., *JPMorgan’s Dimon: I wish the Chase Sapphire Reserve card had cost us more money*, CNBC (Jan. 18, 2017), <https://www.cnbc.com/2017/01/18/jamie-dimon-i-wish-chase-sapphire-reserve-cost-jpmorgan-more-money.html>.

⁷⁰ Consumer Complaint 3146674, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3146674>.

They are hanging their hat on sketchy wording ... How is the average consumer to conclude from [if you cancel or downgrade your account within 12 months ... we may take away statement credit'], if he or she could find it in the first place, that 'take away' would be used to justify rescinding a credit that had been issued and used more than a half-year earlier?"⁷¹

These “claw back” policies might discourage consumers from switching into cheaper products if their situations change and could cause cardholders to incur a second annual fee if they want to avoid paying back previously used rewards.

2.2 Devaluation

Consumers described a variety of problems involving the devaluation of their rewards.

REWARDS INFLATION

Issuers and merchant partners reduce the value of rewards by increasing the number of points or miles needed for specific redemptions. An unexpected rewards devaluation can be a rude awakening for consumers saving up based on the terms and conditions at account opening:

“Recently, I noticed that the miles required for a \$100 gift card shot up [25%] ... I have been accruing these miles for years ... I want the value of the miles that I have accrued in relation to what I agreed to when I got the card.”⁷²

Travel providers have a long history of devaluing rewards by requiring more miles or points over time for the same services.⁷³ Additionally, while miles and hotel points previously were usually convertible according to a set award chart, many loyalty programs have moved to dynamic pricing where it can be difficult to forecast the number of rewards needed for a flight or room.⁷⁴ Even when a consumer is using points on issuers’ branded travel booking portals rather than

⁷¹ Consumer Complaint 6214741, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6214741>.

⁷² Consumer Complaint 3321850, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3321850>.

⁷³ Dan Reed, *Airlines Are Under Heavy Pressure To Devalue Your Mileage Points*, Forbes (May 19, 2021), <https://www.forbes.com/sites/danielreed/2021/05/19/airlines-frequent-flier-mileage-points/?sh=c47af2229b8f>; The Economist, *Frequent-flyer schemes provide airlines with a lifeline* (Nov. 20, 2021), <https://www.economist.com/finance-and-economics/2021/11/20/frequent-flyer-schemes-provide-airlines-with-a-lifeline>.

⁷⁴ Ben Smithson, *Dynamic airline award pricing is out of control – here are some ways to beat it*, The Points Guy (Aug. 8, 2023), <https://thepointsguy.com/guide/beat-dynamic-airline-award-pricing/>.

transferring them to a third party, there are reported cases where the number of rewards needed to book a hotel or flight spiked after refreshing the page or starting a transaction.⁷⁵

OBSTACLES TO USE

Beyond explicit devaluation, issuers and merchant partners may erect barriers that make it more difficult to redeem rewards for their full value. For products that have an explicit cash back value, companies might impose minimum requirements for redemption. One consumer who wished to cancel her card after becoming dissatisfied with customer service became stuck in this situation, “*I asked her to send me a check of the remaining reward points (balance about \$20) ... She refused to do that since a reward balance of less than \$25 cannot be given.*”⁷⁶ In another case, rewards changed from cash back through statement credits or direct deposit to merchant credits that limited consumers’ options for using a so-called cash equivalent.⁷⁷ In previous CFPB focus groups, consumers have stated that they find the redemption process more complex, opaque, or time-consuming than they had assumed.⁷⁸ In other words, the additional difficulty reduced the perceived value of rewards to a given consumer.

BENEFIT MODIFICATIONS

One particular pain point for consumers occurs when issuers do not protect customers from the consequences of co-brand partner decisions that decrease a product’s utility. For example, one consumer reported that, when they cancelled their card after program modifications, the bank did not honor their request to refund or prorate their annual fee. The consumer stated:

“I’ve had this credit card for many years. [Airline] and [Bank] advertised and encouraged the use of this card for earning miles [and status]. ... [Airline and Bank] announced changes to the [frequent flyer] program that basically rendered this card useless and a waste of money for the annual fee.

I immediately called [Bank] to cancel my card which they did, however, they refused to refund the annual fee ... They fraudulently and misleadingly allowed people like me to renew the card for benefits that would no longer be available in the future.”⁷⁹

⁷⁵ Consumer Complaint 6375720, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6375720>.

⁷⁶ Consumer Complaint 2883004, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2883004>.

⁷⁷ Consumer Complaint 3650259, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3650259>.

⁷⁸ 2015 Report, *supra* note 5, at 234.

⁷⁹ Consumer Complaint 7592224, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7592224>.

Consumers also complained about banks removing core benefits from reward programs with little notice. In one complaint, a consumer wrote, “[Bank] recently cancelled the free night award bonus which was a benefit of their [Hotel] credit card. ... I feel I was misled by [Bank] as they advertised [this benefit] at the time I renewed my membership.”⁸⁰

2.3 Redemption Problems

Consumers reported a variety of issues with redemptions due to customer service or technology problems.

CUSTOMER SERVICE ISSUES

Consumers described customer service that was unhelpful and unable to quickly resolve rewards problems. One consumer described refereeing a three-way call between two bank departments with conflicting policies;⁸¹ another said they reached out to the issuer “over 50 times.”⁸² Consumers ended up in customer service limbo despite their repeated calls, hours on hold, and thorough documentation of the problem at hand. One consumer wrote,

*“I called to investigate, and nobody would give me any information despite my repeated attempts. The only information they could provide was ‘my account was locked by corporate,’ ‘they do not know why,’ ‘it is impossible for me to speak with anyone in corporate,’ and ‘I should expect to hear more in 6 to 8 weeks or longer when the investigation is complete.’ This is crazy.”*⁸³

Some frustrated consumers also described being informed it could take upwards of two to three months to fix a given problem.⁸⁴ Others failed to receive any estimate of the time needed to resolve an issue.⁸⁵ For those provided a clear window for resolution, consumers described

⁸⁰ Consumer Complaint 1351254, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/1351254>.

⁸¹ Consumer Complaint 6920840, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6920840>.

⁸² Consumer Complaint 6757489, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6757489>.

⁸³ Consumer Complaint 3440540, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3440540>.

⁸⁴ Consumer Complaint 5030955, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/5030955>; Consumer Complaint 3205547, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3205547>.

⁸⁵ Consumer Complaint 6681148, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6681148>.

problems stretching on far beyond the estimate or even longer than indicated in the contractual language found in rewards agreements.⁸⁶ Moreover, it may be the case that the submitters of the complaints included here represent the most persistent consumers. Others presumably give up.

DOOM LOOPS

Consumers also report that customer service issues can worsen when third-party merchants get involved, as there are more points of failure where consumers can lose out on rewards value. A number of consumers tell nearly-identical stories of a “doom loop” – being redirected from a bank to the merchant partner and back again – each dealing with different issuers and different retailers at different times:

- *“I attempted to access my [Frequent Flyer] Account via [Airline]. [Airline] notified me the account that was linked to MY credit Card was not mine. I informed [Bank]. [Bank] informed me to contact [Airline]. [Airline] informed me to contact [Bank].”⁸⁷*
- *“[Merchant Partner] linked the credit card to a closed account and made it impossible to redeem the cash back rewards. I tried to have the problem fixed by [Merchant Partner] and [Bank] but they kept transferring me back and forth and refused to take responsibility.”⁸⁸*
- *“My experience is that [Bank] sends you to [Retailer] and [Retailer] sends you to [Bank] and round and round.”⁸⁹*

These complaints indicate that financial institutions may sometimes lack the basic infrastructure to communicate with merchant partners and effectively resolve rewards issues.

TECHNICAL GLITCHES

Consumers reported problems with issuers’ technology and subsequently unhelpful technical support when attempting to redeem rewards. For example, one consumer described their experience with customer service as “copy paste malarkey” when the issuer failed to award rewards for months due to a system update.⁹⁰ Often, consumers faced problems transferring

⁸⁶ Consumer Complaint 6757489, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6757489>.

⁸⁷ Consumer Complaint 3250565, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3250565>.

⁸⁸ Consumer Complaint 7625924, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7625924>.

⁸⁹ Consumer Complaint 7359727, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7359727>.

⁹⁰ Consumer Complaint 5952196, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/5952196>.

rewards to merchants' loyalty programs. Converting credit card points to airline miles or hotel points can be one of the costliest redemptions for issuers to provide;⁹¹ however, the ultimate value to consumers depends on a quick and accurate conversion. In one instance, consumers reported being unable to transfer their rewards when the redemption portal was down for maintenance for weeks.⁹² In another example, a seemingly simple issue such as variations in cardholder names across two systems prevented the timely transfer of rewards.⁹³

Delays can cost consumers given the quickly changing availability and value of many common redemptions, especially travel. A deal available on Monday can easily be gone by Friday, much less weeks later once a transfer issue is resolved. As one person wrote,

“Such a delay is not only unreasonable but also places an undue burden on me as a customer. The inability to transfer my points in a timely manner significantly hampers my ability to utilize the benefits of my [rewards] effectively.”⁹⁴

REWARDS REIMBURSEMENT

Complaints also note that, once the transfer to a third-party merchant occurs, the card issuer is unwilling to reimburse rewards that are ultimately unredeemable. One consumer described that she was unable to book award flights due to technical issues on an airline's website after transferring points from the issuer. The cardholder initiated a “point dispute” with the bank and was assured that the transfer would be reversed, and a customer service representative would reach out once it was resolved. A week later, with no contact, she called back and was told the dispute was unsuccessful, finding, “[Bank] basically refused to argue with [Airline] on behalf of their customers and customers literally have no protection at all after they initiate a transfer.”⁹⁵ In similar stories across years of complaints, issuers refuse to refund cardholders

⁹¹ American Express, *Q4 2024 Earnings Call* (Jan. 26, 2023).

⁹² Consumer Complaint 6044614, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6044614>. Katie Genter, *You may not be able to transfer Capital One miles to airlines and hotels right now: Here's what you need to know*, The Points Guy (Sep. 28, 2022), <https://thepointsguy.com/news/capital-one-transfer-outage/>.

⁹³ Consumer Complaint 6538498, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6538498>.

⁹⁴ Consumer Complaint 7451697, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7451697>.

⁹⁵ Consumer Complaint 3092200, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3092200>.

points or miles after technical issues occur or consumers are otherwise unable to use rewards through no fault of their own.⁹⁶

2.4 Revocation

Issuers forfeit, expire, revoke, or otherwise take away hundreds of millions of dollars in earned rewards value each year.⁹⁷ This means banks benefit from marketing high promotional bonuses and earning rates but do not end up paying out the full cost of those offers. Every quarter, four percent of accountholders loses access to at least some of their rewards.⁹⁸ The complaints below reflect consumer frustration in a few common scenarios.

ACCOUNT CLOSURE

In the most extreme example, an issuer unilaterally closes a credit card account and the consumer forfeits previously earned rewards.⁹⁹ Credit card companies can generally close an account without notice, and the terms of some rewards programs indicate that the consumer forfeits their rewards in this situation.¹⁰⁰ Consumers complain to the CFPB that unexpectedly

⁹⁶ Consumer Complaint 2771424, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2771424>; Consumer Complaint 6494726, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6494726>; Consumer Complaint 6019960, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6019960>.

⁹⁷ 2023 Report, *supra* note 3, at 102.

⁹⁸ *Id.*

⁹⁹ Some policymakers have already acted against rewards forfeiture in cases like these: starting in December 2023, the state of New York required a 90-day grace period for the use of credit card reward points after notification of account closure or impending revocation. New York State, *Governor Hochul Announces New Consumer Protection Law for Credit Card Customers Will Take Effect on December 10* (Dec. 8, 2023), <https://www.governor.ny.gov/news/governor-hochul-announces-new-consumer-protection-law-credit-card-customers-will-take-effect>.

¹⁰⁰ See, e.g., Citi, *Citi ThankYou Rewards Terms & Conditions*, <https://www.thankyou.com/cms/thankyou/tc.page?pageName=tc> (last accessed, Mar. 25, 2024); see also, Chase, *Chase Sapphire Preferred® with Ultimate Rewards® Program Agreement*, <https://www.chase.com/sapphire/rewardsagreement> (last accessed, Mar. 25, 2024); see finally, Wells Fargo, *Wells Fargo Rewards® Program Terms and Conditions and Addendum*, <https://consumercard.wellsfargorewards.com/#/tnc> (last accessed, Mar. 25, 2024) [however, this card also has a separate provision for New York accountholders, stating, “if the Credit Card tied to Your Rewards Account is closed for any reason (except fraud or misuse), We will issue a check for the cash equivalent value of any available Rewards balance in Your Rewards Account”].

Other issuers choose to provide a check with the rewards balance to all consumers upon account closure. See, e.g., Discover, *Discover it Card Cashback Bonus program Terms and Conditions*, https://www.discover.com/content/dam/discover/en_us/credit-cards/card-acquisitions/grey-redesign/global/pdf/Ts_Cs_Discover_It_Ts_Cs_small.pdf (last accessed, Mar. 25, 2024).

losing the ability to make purchases and access an existing credit line negatively affects their finances. On top of that, the loss of previously saved rewards can be particularly painful:

*[The Bank] advised me that my reward was forfeited due to the closure of my account. No rhyme, reason, or explanation, just a harmful and reckless theft of rewards that were based on valid purchases during the year ... So, I have no job, unemployment benefits have expired and the [rewards amount] I was planning on has evaporated. It's yet another example of a financial company that coldly, unsympathetically, and egregiously takes from those most vulnerable when they need financial assistance the most.*¹⁰¹

Other consumers echoed feeling stolen from and “bullied by a multi-billion dollar company” after rewards forfeiture due to involuntary account closure.¹⁰² Another consumer highlighted the opportunity cost of spending on a particular card once rewards were revoked, writing “*I feel like it is unethical to take away my reward dollars that I earned charging their card instead of any other credit cards.*”¹⁰³ One complaint also noted the double standard of still needing to make payments on the outstanding debt and monthly interest while being blocked from redeeming previously earned benefits (that could be used to pay down their balances).¹⁰⁴ Finally, a consumer who initiated account closure but then surprisingly lost rewards value wrote, that, if they had been told about the forfeiture policy, they would have used the rewards before the account was closed: “*No one in their right mind would throw away [rewards], especially with paychecks being stretched thin and inflation at an all-time high.*”¹⁰⁵

EXPIRATION

Banks revoke earned rewards from consumers with open and active accounts through expiration. Consumers have expressed significant frustration in complaints when companies do not adequately communicate impending rewards revocation:

¹⁰¹ Consumer Complaint 6560711, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6560711>.

¹⁰² Consumer Complaint 7284455, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7284455>; Consumer Complaint 4295060, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4295060>.

¹⁰³ Consumer Complaint 6024647, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6024647>.

¹⁰⁴ Consumer Complaint 5017914, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/5017914>.

¹⁰⁵ Consumer Complaint 6152082, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6152082>.

*“When I got the card, it said miles never expire. Now I learn a few months after that that thousands of my miles have expired (worth hundreds of dollars), with no explanation, no email warning, no calls from the company.”*¹⁰⁶

Previous CFPB research found that the majority of issuers with rewards programs have an expiration policy.¹⁰⁷ Most tied expiration to inactivity, which was inconsistently defined.

REVOCATION REVERSALS

Cardholders report frustration with the finality with which financial institutions treat rewards revocation when issuers frequently reverse charges and refund purchases. One consumer attempting to recover thousands of dollars in rewards value said, *“I have been told verbally that it is impossible to restore rewards points after they have been revoked. This is obviously untrue.”*¹⁰⁸ The consumer was correct: the bank closed their account in error and ended up reinstating almost one million points. In other cases, card issuers may offer some avenues for reversals, such as allowing consumers to recover rewards — if they pay a fee.¹⁰⁹

¹⁰⁶ Consumer Complaint 3235496, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3235496>.

¹⁰⁷ 2015 report, *supra* note 5, at 235.

¹⁰⁸ Consumer Complaint 6180853, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6180853>.

¹⁰⁹ Previous CFPB research found that half of the issuers analyzed provided consumers the ability to pay to reinstate forfeited reward. 2015 Report, *supra* note 5, at 232. American Express, *Why didn’t I earn Membership Rewards® points and how can I reinstate them?* (last accessed Apr. 2, 2024), <https://www.americanexpress.com/us/customer-service/faq.didnt-earn-membership-reward-points.html>.

3. Conclusion

As credit card rewards grow in salience, complexity, and cost, the CFPB is paying careful attention to consumers' experiences with these programs as part of its effort to ensure a fair, transparent, and competitive credit card market. The complaints received by the CFPB reflect some concerning patterns with respect to promotional offers, earned benefits being devalued, obstacles to consumers receiving their preferred redemptions, and the sudden revocation of earned rewards. Federal consumer financial protection laws apply to rewards programs offered in connection with credit cards, and the CFPB will continue to monitor credit card rewards programs and work together with governmental partners to take necessary action on these issues where appropriate. Credit card issuers should take care to ensure that their conduct with respect to the administration of credit card rewards programs conforms with the law.