

Discover's \$200 million lesson from the Consumer Financial Protection Bureau



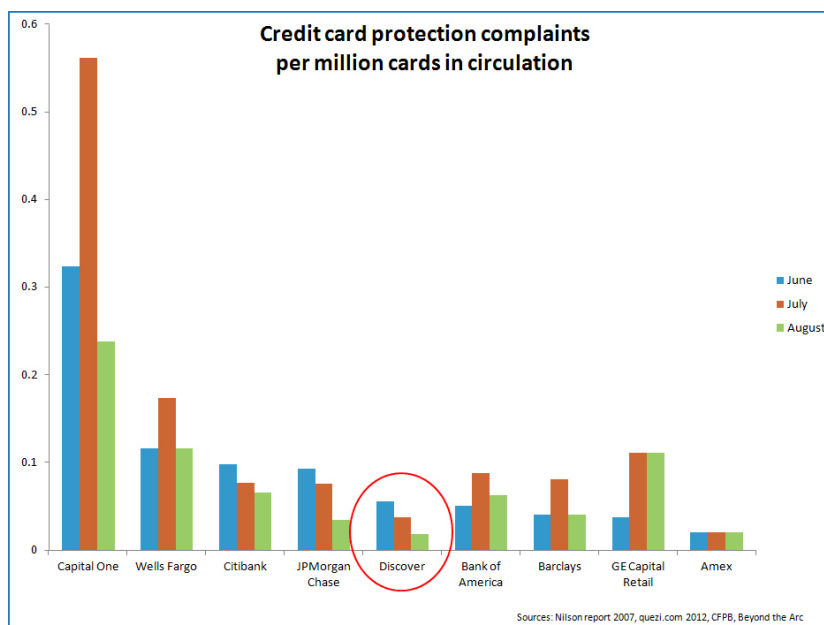
Yesterday, the Consumer Financial Protection Bureau (CFPB) **announced** that it ordered major credit card provider, **Discover**® to refund \$200 million to customers for deceptive marketing practices. In collaboration with the FDIC, the CFPB found that Discover had misled its customers into purchasing add-on products including “Payment Protection,” which offers coverage to customers who are unable to make payments as a result of certain life events such as job loss or injury.

Beyond the Arc has been conducting detailed analyses of the CFPB consumer complaint database since the data was made publicly available in July 2012. In our analysis, “credit card protection” is the 12th most prevalent type of issue overall, accounting for 3.6% of all complaints that have been filed. According to the CFPB, customers of the major card issuers have complained for a variety of reasons:

- They didn't know they would be charged for an add-on product
- They were unaware they had purchased a product
- They felt the product requirements were not fully explained to them

As you can see in the graph below, among the largest credit card providers, Capital One has by far the most complaints about credit card protection. In fact, this bank was recently fined **\$210 million** by the CFPB for unfair practices. And according to recent official company statements, **American Express and Bank of America** are also currently under investigation.

Discover ranked 5th among large issuers, when complaints were measured against the total number of cards in circulation. It is significant to note that the number of Discover complaints about credit card protection has decreased substantially since the data was first published in July 2012. This monthly decline could have been the result of Discover changing its sales practices, and their reaction to the CFPB investigation.



Financial services companies can start to use the CFPB database as a customer experience scorecard. Areas where they fall short need to be addressed, and quickly. Otherwise, they may learn the expensive way like Discover and Capital One.