

The Credit Card Industry Makes False Claims About Rewards

The credit card industry (including airlines) is again falsely claiming that competition in the credit card market would end credit card rewards. This false claim has been repeatedly debunked.

- The Credit Card Competition Act would require the nation's largest banks to enable credit cards they issued to be able to be processed over at least one unaffiliated, competing network rather than just Visa or Mastercard. But credit card rewards are determined by the bank that issues a card, not the network that processes the transaction and not by Visa or Mastercard. Rewards remain the same whether a card is processed over the Visa/Mastercard networks or another network.
- The Credit Card Competition Act only applies to about 30 giant banks. The bill would not require any bank with less than \$100 billion in assets to change how they do business today.
- The credit card industry often claims that any decrease in their fee revenue will force them to eliminate consumer rewards, but this claim defies economic logic. Rewards are a tool that card issuers use to win cardholder business, and an issuer that threatens to cut its rewards program will likely lose cardholders to other card issuers, like the thousands of issuers that are not covered by the Credit Card Competition Act. Market competition incentivizes the use of rewards programs to win consumer business, which is why many retailers with far smaller profit margins than banks [offer significant rewards programs](#), and why card issuers in the [European Union](#), [Australia](#), and other countries that have capped interchange fees at levels a fraction of average U.S. rates continue to offer rewards.
- A study of the credit card industry's false rewards claims was done by payments consulting firm CMSPI. It [found](#) based on actual experience with credit card fee reforms around the world that:
 - If the Credit Card Competition Act passed, rewards would be reduced by less than one-tenth of 1% (0.10%) "at most."
 - Banks' swipe fee profits provide "more than sufficient margin" to make up the difference and "maintain current reward levels."
- The fact-checking service Verify.com has [concluded](#) that these claims are "False"
 - The fact check states: "The bill does not make any reference to credit card reward programs, perks, cash back or travel miles."
- A story on CNET reached the same answer.
 - [Credit Card Competition Act Won't End Rewards Programs, Says One Financial Expert. Here's Why - CNET Money](#)
 - The article stated, "But credit expert John Ulzheimer, a contributor to FICO and Equifax and former president of consumer education at Credit.com, isn't worried about rewards disappearing. "Card issuers are very clever," Ulzheimer said. "I doubt rewards will be affected because of the importance placed by consumers on their rewards programs. There are plenty of other places [credit card issuers can] recoup a reduction in fee income."

- Ulzheimer added, “I don’t think this will touch rewards.”
- It is worth noting that all of these are objective sources – unlike some of the outlets disseminating myths about card rewards that admit they are paid by the credit card industry. CNET, for example, says the following: “*The editorial content on this page is based solely on objective, independent assessments by our writers and is not influenced by advertising or partnerships.*” The most prominent sources reaching a different conclusion cannot make that claim.

The truth is that card-issuing banks make far more in revenue than they pay out in rewards, and consumers actually pay for rewards multiple times over.

- Annual Fees – many rewards cards carry annual fees that are paid for by . . . cardholders
 - Annual fees can run individual cardholders hundreds of dollars per year
 - Total annual fees collected by big banks in 2022: [\\$6.4 billion](#)
- Late fees and other fees
 - Banks collected [\\$14.5 billion](#) in late fees in 2022
 - Banks also collected more than [\\$4 billion](#) in non-sufficient funds and other fees in 2022
- Interest payments – consumers paid a record amount of interest on credit card balances in 2022
 - The more than [\\$100 billion in interest payments](#) covered rewards completely and provided huge profits on top of that
- Rewards as a profit center
 - Total rewards earned by cardholders in 2022? [\\$41.1 billion](#)
 - But, that’s on cardholder revenue noted above of **\$125 billion** (without a single dollar in swipe fees)
 - That \$84 billion in gross profit margin above rewards does not even recognize some facts that the credit card industry never wants to talk about –
 - Many rewards never get used. Cardholders had [\\$33 billion](#) in unused rewards in 2022
 - And, [rewards consistently get devalued](#) so they are worth less than when they were given out in the first place. The rewards’ dollar value is as much of a myth as their revenue source.

The idea that every dime of the \$187 billion in fees that the credit and debit card industry took in 2024 from Main Street merchants on top of the cardholder interest and fees noted above is necessary to pay for rewards (or is a make or break for them) is simply false.