



REPORT CHALLENGES READABILITY OF CREDIT CARD AGREEMENT

Creditcards.com has issued a report challenging the readability of credit card agreements. According to creditcards.com the average person in the U.S. is unable to read or understand his or her credit card agreement. Although the reading grade level of agreements has lowered over the years, credit card agreements still read on average at the eleventh grade level. According to the report, credit card agreements are usually longer than a page and use less than twelve-point type. Cardholders perceive the agreements as wordy, confusing, complex and hard to understand, just "painful," they say, even for those who have graduated from college. Some cardholders ignore the fine print simply because of the amount of text.

The Consumer Financial Protection Bureau (CFPB) put forth a widely criticized prototype for a "simplified" credit card agreement in December 2011. See our ALERT of December 8, 2011. But even the CFPB could not "simplify" the complex details involved in credit card agreements. More recent criticisms of credit card agreements by the CFPB have noted that some of the least sophisticated consumers are given the most complex products which require greater and more complex disclosures. See the CFPB's December 2015 report "The Consumer Credit Card Market." Deferred-interest promotions in particular remain a focus of CFPB scrutiny.

Creditors generally should be mindful of the audience to whom disclosures are given, not to mention potential unfair, deceptive or abusive acts or practices challenges and state plain language statutory requirements. Numerous techniques can be employed to make agreements clearer, easier to read and more understandable, although regulatory requirements and product complexities can impede efforts. We can assist in assessing disclosures and offering suggestions for improving forms. □

✧ *Mike Tomkies and Susan Seaman*

LOOKING FOR A STATE LAW CREDIT CARD COMPLIANCE RESOURCE? We publish an easy-to-use online reference that summarizes state consumer lending and other consumer protection laws. Our CREDIT CARD DIGEST is organized topically, covers laws applicable to credit card programs of federally and state-chartered financial institutions from an out-of-state issuer perspective and includes an analysis of statute applicability. Card issuers, marketers, servicers and merchants should find this an invaluable resource for program development and regulatory compliance. **Contact us for details.**

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