

Retailers Must Be Careful With Private Label Credit Card Advertising

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The FTC unanimously [approved](#) a [consent order](#) this week requiring Credit Karma, LLC to pay \$3 million dollars for allegedly advertising to consumers that they were “pre-approved” for credit card offers, when in reality, the customers were not pre-approved, and in fact, were frequently rejected.

Credit Karma’s advertising—which purportedly took place over three years between February 2018 and April 2021—consisted largely of emails and webpages telling consumers they were “pre-approved” for various credit cards. The agency’s complaint cites internal A/B testing performed by Credit Karma showing that the pre-approval claim resulted in an increase in click rates when compared to the claim that consumers had “Excellent” odds of approval. According to the FTC, even when Credit Karma recognized that approval was not guaranteed, it represented that consumers had a 90% chance of approval, or used unclear and difficult-to-find disclaimers. The FTC’s enforcement action was pursuant to Section 5(a) of the FTC Act, which prohibits deceptive acts and practices; in the FTC’s view, Credit Karma’s “pre-approved” statements constituted false, misleading, and unsubstantiated claims.

The credit cards themselves were not offered or issued by Credit Karma, but rather, by third-party financial services companies. So when customers actually clicked through the advertisements to apply, they frequently found themselves rejected. This calls to mind a popular arrangement for retailers: private label credit cards offered by third-party financial institutions.

This case serves as a useful reminder to retailers who offer these private label credit cards: like with any products, your credit card ads need to be truthful and substantiated. Even where a third-party financial services company may review eligibility and issue the card, retailers still must ensure that all associated marketing for the card complies with advertising laws and best practices.

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