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PAYMENTS

How badly was Bread burned by its online credit card payment glitch?

By [Kate Fitzgerald](#) August 05, 2022, 4:32 p.m. EDT5 Min Read

Bread Financial Holdings — formerly Alliance Data Systems — recently modernized its private-label credit card platform by moving tens of millions of records to the cloud, but a [technological outage](#) turned the project into a customer service nightmare.

The outage in late June and early July prevented some customers from making on-time payments for their credit card bills with many of the 130-plus retailers Bread serves through its Comenity Bank subsidiary. The issue sent inflation-stressed users across the U.S. to register complaints on social media and with regulators.

Many Bread customers have documented their frustrations on [Twitter](#) and [Facebook](#), including their unsuccessful attempts to reach customer service agents. Complaints continued to spread throughout the July 4 weekend, and many customers also alerted the Consumer Financial Protection Bureau.

The nearly instantaneous surge of complaints Bread's outage produced in high-profile social media channels underscores how consumers' mass adoption of digital payments and technology during the pandemic has shortened the crisis-management window for financial services providers.

The outage created a significant spike in feedback about Bread Financial in the CFPB's consumer complaint database at a time when the agency is increasingly scrutinizing financial companies' responses to situations that could harm consumers, according to Marcia Tal, who analyzes such data as CEO of Tal Solutions.

Between Aug. 1, 2021 and Aug. 2, 2022, Bread Financial received 533 complaints about problems when making credit card payments — and 73% of those occurred within the last 90 days, during the window of Bread's credit card payment-system outage, Tal said.

This is now the second month in a row that I've attempted to pay my bill early and your website is down. Now if I don't pay my bill by 2PM tomorrow you'll hit me with a late fee. I'm dropping this card after my next payment. You guys suck.

— Christian Chandler (@OldStoneFace) [August 3, 2022](#)

"I would guess the system outage at Bread Financial will be scrutinized and analyzed by the CFPB, not only in regard to the reason for the outage but its resolution and how it impacted consumers," Tal said.

Bread has been in regular contact with regulators to "proactively communicate the specific actions we are taking to ensure a fair resolution for impacted customers," said Rachel Stultz, Bread's director of corporate affairs, via email.

Bread has promised affected consumers that their inability to pay a bill on time would not affect their credit scores.

The customer service phone lines at Bread were back up on June 30 and online account access was restored for most customers on July 1, but there was a period of time when the company was experiencing intermittent outages, Stultz said.

On social media, many consumers continued to complain that they were unable to reach live customer service agents to verify their account status, and complaints continued to mount throughout July.

On July 26, the Berwyn, Pennsylvania-based law firm Sauder Schelkopf filed a class action in federal court in Columbus, Ohio, alleging that many Bread customers were unable to access their Comenity card accounts and that payments withdrawn from their bank did not immediately post to their card account, leading to late fees.

"Consumers should not be forced to shoulder the burden for issues that were caused by Comenity," said Joseph Kenny, a partner at the firm, in a press release.

Credit card late fees have become a major target after the CFPB in June provided [advance notice](#) of proposed rulemaking exploring how issuers set those fees.

The CFPB has proposed blocking a 9% hike in credit card late fees that's slated to kick in next year as inflation rises. Late fees account for 99% of penalty fees and more than half of the credit card market's total consumer fees, according to a [report](#) the CFPB published in March.

Consumers may be hyper-sensitive to late fees and threats to their credit ratings because Bread had a reputation years ago for dinging consumers with late fees, as well as charging to expedite payments close to their due date, according to Richard Crone, a principal with Crone Consulting LLC.

"In the years leading up to the financial crisis and as recently as 2008, Bread was among companies that charged consumers \$10 to expedite bill payments before the due date, a practice that's fallen out of favor," said Crone, who documented Bread's older policies from when it was called Alliance Data Systems.

Bread is not likely to be the only financial services company or credit card issuer at risk from such glitches, according to Crone.

"Many companies trying to modernize and move things to the cloud are bolting on new tech to older in-house and core processing systems that are built on 50-year-old technology," Crone said. "Bread's recent outage suggests they are still working with a combination of old, in-house systems and newer platforms that require humans to maintain bug fixes and do upgrades — it's not military-grade like some of the built-new systems that fully digital financial companies are creating."

Bread's CEO Ralph Andretta recently noted that the company experienced setbacks when migrating its core processing system to Fiserv.

"While any systems migration of this magnitude comes with some degree of anticipated conversion challenges, our teams are working to ensure the fair resolution for all cardholders and brand partners that may have been impacted during this time," Andretta told analysts on July 28 when discussing the company's second-quarter earnings.

Bread's information processing costs "are increasing" as a result of the ongoing technology modernization program, Bread's chief financial officer Perry Beberman added.

No mention was made during the analyst presentation of any potential heightened scrutiny from the CFPB. The agency can't comment on any investigations it may or may not be undertaking, Raul Cisneros, a CFPB public affairs specialist, said.

"I believe the complaints consumers filed to the CFPB about the Bread outage are the beginning of a problem that has not yet been fully uncovered nor its impact completely understood," said Tal, noting that most banks' leadership teams are paying closer attention to the number, magnitude and business impact of the CFPB's recent credit card industry regulatory enforcements.