BUSINESS

Watchdog: Don't devalue credit card rewards

As of 2022, three-quarters of all general-purpose credit cards were rewards cards, according to the Consumer Finance Protection Bureau. MAXIM ZMEYEV/REUTERS ILLUSTRATION, FILE

Industry groups accuse CFPB of tarnishing popular product perk

REUTERS

Credit card companies that devalue or cancel the rewards points, cash back or miles that cardholders have earned may be breaking the law, the top watchdog agency for consumer finance warned Wednesday.

In a policy circular, the Consumer Financial Protection Bureau said prohibitions against unfair, deceptive and abusive practices mean authorities may punish card issuers that slash the value of such rewards based on fine print, hidden terms or technical glitches.

The CFPB distributes such circulars to other agencies, including state attorneys general and local regulators, that enforce federal consumer financial laws.

As of 2022, three-quarters of all general-purpose credit cards were rewards cards, and many consumers choose which to apply for and use based on the rewards offered, according to the CFPB.

Industry groups reacted negatively, accusing the CFPB of chasing headlines and tarnishing a popular product.

Rob Nichols, president of the American Bankers Association, said in a statement that complaints about credit card rewards were "extraordinarily uncommon" and accused the CFPB of putting political pressure on card issuers.

President-elect Donald Trump has yet to name someone to run the agency next year, but observers say it is virtually assured to take a very different approach to enforcement and regulation.

GOP lawmakers have demanded that financial regulators cease issuing new regulations until Trump takes office, a call the CFPB has not heeded.

Congo not bending on Apple sourcing

Tech giant denies using conflict-tainted minerals

Sonia Rolley
REUTERS

PARIS – International lawyers for the Democratic Republic of Congo welcomed Apple's decision to stop sourcing minerals from there due to worsening conflict, but said they would press ahead with their cases against the company in Europe. Criminal complaints were filed against Apple subsidiaries in France and Belgium this week on behalf of Congo, accusing the tech firm of using so-called conflict minerals in its supply chain.

Congo is a major source of tin, tantalum and tungsten, so-called 3T minerals used in computers and mobile phones. But some artisanal mines are run by armed groups involved in massacres, rapes and other crimes, say U.N. experts and rights groups.

Apple said on Tuesday that it strongly disputes the claims and has told suppliers they must not use the minerals in question sourced from Congo or Rwanda.

The lawyers representing Congo said on Wednesday they welcomed that statement with "satisfaction and caution."

"Apple's statements about changes to its supply chain will have to be verified on the ground, with facts and figures to support them," the lawyers said in a statement to Reuters.

"Apple's statements do not change the past and the crimes that are alleged to have been committed," they added, saying it was now up to the French and Belgian judges to rule.

The lawyers argue that Apple used minerals pillaged from Congo and laundered through international supply chains, making it complicit in crimes taking place in Congo.

Apple does not directly source primary minerals and says it audits suppliers, publishes findings and funds bodies that seek to improve mineral traceability.

"As conflict in the region escalated earlier this year we notified our suppliers that their smelters and refiners must suspend sourcing tin, tantalum, tungsten, and gold" from Congo and Rwanda, Apple said in its statement on Tuesday. It did not say when suppliers were notified.

"We took this action because we were concerned it was no longer possible for independent auditors or industry certification mechanisms to perform the due diligence required to meet our high standards."

Apple said the majority of the minerals in question in its phones and computers are recycled.

Since the 1990s, Congo's mining heartlands in the east have been devastated by conflict between armed groups, some backed by neighboring Rwanda, and the Congolese military.

Millions of civilians have died and been displaced.

Competition for minerals is a main driver of conflict as armed groups sustain themselves and buy weapons with the proceeds of exports, often smuggled via Rwanda, U.N. experts and rights organizations say. Rwanda denies benefiting from the trade.

Barbie dolls, a brand owned by Mattel, are seen at the FAO Schwarz toy store in New York. Mattel CFO Anthony DiSilvestro told investors earlier this month that by next year, the El Segundo, Calif.-based toy giant will get less than 40% of its goods from China – compared to the industry average of over 80%. ANDREW KELLY/REUTERS FILE

US toymakers readying for Trump tariffs 2.0

Companies redesigning product, scouring world for lower-cost suppliers

Timothy Aeppel
REUTERS

With the incoming Trump administration promising an entirely new round of tariffs on U.S. imports, Atlanta-based Kids2 and other toymakers are reviewing product lines, looking for ways to limit the cost of new levies.

In the last trade war, Kids2 redesigned an infant chair so it could be converted into a rocker by adding a moving part. Design tweaks like that are almost magical: They made a 25% tariff disappear, because children's chairs from China carried the tax, while rockers didn't and still don't.

Kids2 and other companies that make everything from Barbie dolls to sneakers are scrambling for how to respond to Trump's latest tariff threats. Many already moved chunks of production out of China long ago because of souring relations with that country.

The result of shifting supply chains is a surge of consumer goods imports to the U.S. from Vietnam and Mexico. Mexico became the leading source of goods imported to the U.S. in 2023, surpassing China for the first time in over two decades.

Moves by Mattel, for one, are emblematic of that shift. CFO Anthony DiSilvestro reminded investors earlier this month that by next year, the El Segundo, California-based toy giant will get less than 40% of its goods from China – compared to the industry average of over 80%.

"We have teams of people engaged today in analyzing and planning for different tariff scenarios," said DiSilvestro. "And obviously, our actions will depend upon what actually happens, which seems to change from day to day and week to week."

Some companies are moving extra stocks into the U.S. to get ahead of any new levies as well as a threat of more labor strife at East Coast ports, but that's limited – and has its own set of risks.

Jay Foreman, CEO of Basic Fun, the Boca Raton, Florida-based maker of Tonka trucks and K'nex building sets, said, "You can get yourself in trouble bringing in the wrong product too early – it uses up cash flow and fills warehouses."

Foreman said moving toy production to other low-cost countries poses unique challenges, around product safety, for instance.

"Nobody's worried that your spatula or tennis racket or tennis shoe is going to hurt you," he said. "But everyone worries that toys might hurt their child if they're not made with good quality and tested properly." He noted that China has built up over decades a capability and track record in toys that others lack.

Kids2 is an example of the U.S. toy industry's deep China roots. It still produces about 90% in that country, including much at its own sprawling factory complex, which it expanded during the first Trump administration. Kids2 continues to invest in its Chinese operations even as Trump promises tariffs on goods not yet touched by his first round of levies.

The company said it is redoubling efforts to slash costs by automating its Chinese plant and consolidating suppliers – moves that Chief Operating Officer John Sikes says give it a buffer against future tariffs.

Sikes estimates that, up to a point, the company could absorb new tariffs through cost cuts and other moves to minimize price hikes to consumers. "But anything above 25% is going to be a challenge," he admits.

Kids2 is also poised to move more work out of China if necessary. It built the ability to produce about 10% of its goods in Vietnam and is looking at options in India and other low-cost countries.

Companies also look for ways to design products to minimize tariffs. That became a major focus at Kids2 in the last three months, said Sikes, with engineers assigned to the task full-time along with designers and shipping experts. The company estimates it will take about another six months to go through all its products to look for ways, when possible, to do what it did with the rockers. To be sure, not all the designs can be tariff tweaked.

"There are some things – like baby tubs and potties – it is what it is," Sikes said. "There's no gray area – so there's no design workaround for some products."

Like many other toymakers, Kids2 hopes to be insulated in any future trade war. Toys were largely spared from heavy tariffs during the first Trump administration – along with ubiquitous consumer goods like cellphones and laptops – because political leaders are loath to increase the cost of something parents need to buy for children.

Indeed, through the 2021-2023 inflation surge – the biggest since the 1980s – toy prices were one of the few categories that dodged big price increases. They have fallen nearly 4.4% in the last four years, according to Consumer Price Index data, whereas U.S. consumer goods prices overall have rocketed by more than 20%.

Sikes said the company is pushing the message that it would be unwise to take steps that would push up toy prices – which would create new inflation pressures on cash-strapped young parents and possibly even discourage people from having children. Declining birth rates have become a concern in many parts of the world.

"That's why I'm not too worried about what might happen," he said. "Because of the optics and impact it could have on what we already know is a challenge globally."