

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Lina M. Khan, Chair**
 Rebecca Kelly Slaughter
 Christine S. Wilson
 Alvaro M. Bedoya

In the Matter of

CREDIT KARMA, LLC, a limited liability company.

DOCKET NO. C-4781

COMPLAINT

The Federal Trade Commission (“Commission”), having reason to believe that Credit Karma, LLC (“Respondent”) has violated the provisions of the Federal Trade Commission Act (“FTC Act”), and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Credit Karma, LLC is a Delaware limited liability company with its principal office or place of business at 1100 Broadway, STE 1800, Oakland, California 94607. In December 2020, Respondent merged with Credit Karma, Inc., Credit Karma, Inc. ceased to exist at that time, and Respondent became the successor to Credit Karma, Inc.
2. Respondent has marketed third-party financial products, such as credit cards, to consumers.
3. The acts or practices of Respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

**Respondent’s Claims that Consumers were
“Pre-approved” for Third-Party Financial Products**

4. Respondent’s website, www.creditkarma.com, and mobile application market credit monitoring and other tools such as financial calculators for approximating the effect of certain credit choices (like obtaining a loan) on a consumer’s score.
5. To access most of these tools, a consumer must sign up for a Credit Karma account and become a member. When signing up for an account, a consumer must provide to Respondent a variety of personal information, including name, date of birth, and last four digits of a

Social Security number, and also agree to Respondent’s Privacy Policy and Terms of Service, which state that Respondent may collect additional information about them from other sources. Respondent has amassed over 2,500 data points, including credit and income information, per member.

6. Respondent sends members advertisements and recommendations for third-party financial products.
7. At least since February 2018 through April 2021, through its website, mobile app, and email marketing campaigns, Respondent has represented in advertisements and recommendations to members that they have been “pre-approved” for third-party financial products such as credit cards.
8. For example, in numerous instances, Respondent’s email advertisements prominently have represented that consumers have been pre-approved for third-party financial products, including but not limited to representations in Exhibits A and B. One such email, attached as Exhibit A, includes a subject line stating “Congrats! ... You’re pre-approved for an American Express Card.” When opened, the body of this email prominently reiterates, in large boldface, the following statements and depictions:

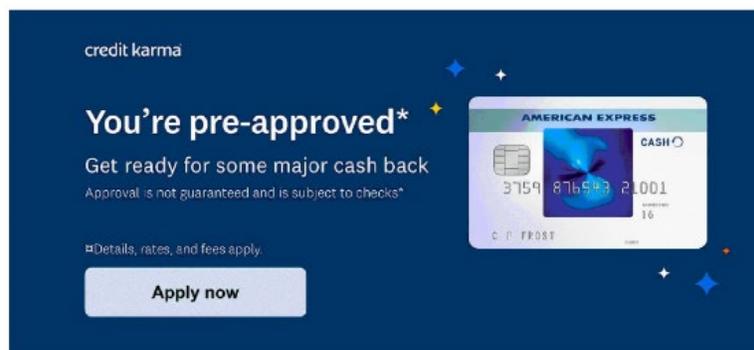


Exhibit A at 1

9. Similarly, another email advertisement from Respondent, attached as Exhibit B, includes the subject line “You’re pre-approved for this Amex Card.” The body of this email reinforces this message with the following statements and depictions:

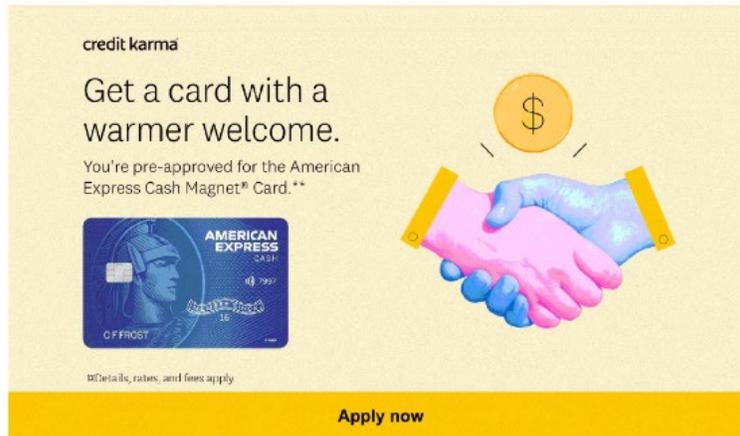


Exhibit B at 1

10. From emails such as these, the consumer could select the link “Apply now” or, in other instances, “Take offer” and go to a website to where they could take final steps to take the offer for which they purportedly had already been approved.
11. Respondent also has made prominent pre-approval claims in advertisements and marketing materials displayed on its website and mobile application, including but not limited to the “Pre-Approved” credit offers attached as Exhibits C and D.
12. Despite the preapproval claims in Respondent’s emails and other marketing materials, financial product companies have not already approved the consumers to whom Credit Karma sent these offers. As one of these companies explained: “The Company does not preapprove, prequalify, or preselect consumers to whom to offer the [Company’s credit card] via Credit Karma.”
13. In fact, for many of these offers, *almost a third* of consumers who received and applied for “pre-approved” offers were subsequently denied based on the financial product companies’ underwriting review, *i.e.*, the actual process by which they made approval determinations. Additionally, in some instances, roughly a quarter of consumers were denied approval because of disqualifying financial and credit characteristics, like insufficient credit histories, account charge-offs, and bankruptcies. Further, the financial product companies’ underwriting review includes a “hard inquiry” on consumers’ credit reports, which, in many instances, lowered the credit scores of those whose applications were denied. Thus, in response to Respondent’s pre-approval claims, numerous consumers have unnecessarily applied for the advertised products and damaged their credit scores, wasting significant time and harming their ability to secure other financial products in the future.
14. Respondent knows that its prominent pre-approval claim conveys false “certainty” to consumers and has employed it deliberately to influence consumers’ behavior. For instance, Respondent conducted A/B testing – a method of comparing two versions of a claim or

design feature to determine which better drives sales or consumer action – comparing the pre-approval claim to claims expressing a consumers’ likelihood or odds of approval. Respondent’s A/B tests showed that the pre-approval claim resulted in a [REDACTED] increase in click rates when compared to the claim that consumers had “Excellent” odds of approval. Exhibit E at 2-3. When user interfaces are designed, including with the aid of A/B testing, to trick consumers into taking particular actions in the company’s interest, such design tricks have been described as “dark patterns.” Further, Respondent knows that the [REDACTED] [i.e., click rate] [was] due to the certainty” that the pre-approved claim provides to consumers. Exhibit F at 2. It is also aware of the “profitability” of marketing “pre-approved offers” and “giv[ing] members certainty.”

15. To the extent Respondent has revealed that consumers’ likelihood of getting approval was anything less than certain, it has done so by making additional false claims that consumers’ likelihood of approval is 90%, or by using buried disclaimers, including but not necessarily limited to:
 - A. In the marketing email attached as Exhibit B, toward the bottom of the body of the email, beneath the “Apply now” button and three separate “**you’re already pre-approved**” claims, Respondent states, “Approval isn’t guaranteed, but 90% of pre-approved applicants get this card, so it’s a great start.” Exhibit B at 1. *See also* Exhibits C and D.
 - B. In the email advertisements attached as Exhibits A and B, below the “Apply now” link, additional terms about the offer appear. If a consumer continued to scroll down, the consumer would see a second “Apply now” link and be taken to a website. Still farther below that, more than 20 lines below the first “Apply now” link, and sometimes after additional offers and in the middle of other language, the emails include a fine-print footnote stating, “**You have received this pre-approved offer because you met certain criteria determined by American Express for a pre-approved offer, as of the email send date. This is not a guarantee of approval.” Exhibit A at 2; Exhibit B at 2.
16. Respondent is aware that consumers who received pre-approved credit offers were misled by them. Respondent’s training materials, for instance, list “I was declined for a pre-approved credit card offer How is that possible?!?!?” and “confus[ion] about pre-approval” as common issues that customer service representatives should expect to encounter. Exhibit G at 3-4. Respondent also has received numerous complaints from consumers who stated that they had been misled about these exact issues. In response to one exasperated consumer, Respondent’s own customer support conceded, “If you are told you are pre-approved that should mean you are pre-approved. That shouldn’t mean you have a good chance. If all you have is a good chance then we should call it that.”

VIOLATION OF THE FEDERAL TRADE COMMISSION ACT

Count I

False, Misleading, or Unsubstantiated Claims that Consumers are Pre-Approved

17. In numerous instances, in connection with the advertising, promotion, or offering of financial products, Respondent has represented, directly or indirectly, expressly or by implication, that:
- A. Consumers were “Pre-Approved” for credit products; and
 - B. Consumers had “90% odds” of approval.
18. In fact, in numerous instances in which Respondent has made the representations set forth in Paragraph 17, such representations were false or misleading, or were not substantiated at the time the representations were made.

Violations of Section 5

19. Therefore, the acts and practices of Respondent as alleged in this complaint constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

THEREFORE, the Federal Trade Commission, this 19th day of January, 2023, has issued this Complaint against Respondent.

By the Commission.

April J. Tabor
Secretary

Exhibit A



[redacted]@creditkarma.com>

Congrats, value1! You're pre-approved for an American Express Card.

notifications@mail1.creditkarma.com <notifications@mail1.creditkarma.com>
To: [redacted]@creditkarma.com

Wed, Sep 9, 2020 at 12:33 PM

credit karma

You're pre-approved*

Get ready for some major cash back

Approval is not guaranteed and is subject to checks*

Details, rates, and fees apply.

Apply now

AMERICAN EXPRESS CASH

3759 876543 21001

MEMBER SINCE 16

C. F. FROST

We receive a commission from American Express. It's what helps keep Credit Karma free!

Hi value1,

A great rewards card can help you earn every day, and even fit your spending patterns. It's the perfect way to reward yourself for everything you do.

Our recommendation

The Blue Cash Everyday® Card from American Express has impressive rewards with no annual fee. Best of all, **you're pre-approved.*** Approval isn't guaranteed, but 90% of pre-approved applicants get this card.

Check out the details:

- **\$150 back** after you spend \$1,000 in purchases on your new card within the first 3 months. You will receive the \$150 back in the form of a statement credit.**
- **3% cash back** at U.S. supermarkets (on up to \$6,000 per year in purchases, then 1%)†
- **2% cash back** at U.S. gas stations†
- **1% cash back** on other purchases†

- **0% intro APR for 15 months** from the date of account opening on purchases (then a variable rate, currently **13.99% to 23.99%**)[‡]

Head over to Amex and apply.

[†]Cash back is received in the form of Reward Dollars that can be redeemed as a statement credit.

[**Offer & Benefit Terms](#) | [Rates and Fees](#)



This offer is current as of email send date.

[^]You have received this pre-approved offer because you met certain criteria determined by American Express for a pre-approved offer, as of the email send date. This is not a guarantee of approval. When making an approval decision, American Express may consider your credit score, any delinquency or bankruptcy on your credit report, your previous history with American Express, ability to pay, fraud risk and other eligibility requirements.



Not what you're looking for?

Take a look at some of our other recommendations for your credit.

[See more cards](#)



Cards that work in harmony

Have great credit? Here's how to choose rewards cards that go well together.

[Read more](#)



This is a promotional email. To manage your Credit Karma emails, please go to your [Communication & Monitoring Preferences](#).

Apple, the Apple logo, and iPhone are trademarks of Apple Inc., registered in the U.S. and other countries. App Store is a service mark of Apple Inc.

Android, Google Play and the Google Play logo are trademarks of Google Inc.

The offers for financial products that you see on Credit Karma come from companies who pay us. Compensation may factor into the decision to send you this particular email.

Mortgage products and services offered through Credit Karma Mortgage, Inc. NMLS ID# 1588622 | [Licenses](#) | [NMLS Consumer Access](#). Loan services offered through Credit Karma Offers, Inc., NMLS ID# 1628077 | [Licenses](#) | [NMLS Consumer Access](#). California loans arranged pursuant to a California Financing Law license. Auto, homeowners, and renters insurance services offered through Credit Karma Insurance Services, LLC (dba Karma Insurance Services, LLC; CA resident license #0172748)..

Credit Karma, Inc., P.O. Box 520, San Francisco, CA 94104-0520 Copyright © 2008-2020 Credit Karma, Inc. All Rights Reserved. Note: Never share your online banking or Credit Karma passwords with anyone, including us!

9/9/2020

Credit Karma Mail - Congrats, value!! You're pre-approved for an American Express Card.

[Privacy Policy](#) [Terms of Use](#) [Unsubscribe](#)

Exhibit B



[redacted]@creditkarma.com>

Nice, value1! You're pre-approved for this Amex Card.

notifications@mail1.creditkarma.com <notifications@mail1.creditkarma.com>
To: [redacted]@creditkarma.com

Wed, Sep 9, 2020 at 12:37 PM

credit karma

Get a card with a warmer welcome.

You're pre-approved for the American Express Cash Magnet® Card.**




⌘Details, rates, and fees apply.

Apply now

We receive a commission from American Express. It's what helps keep Credit Karma free!

Hey value1,

Nothing says hello like a welcome bonus.

The American Express Cash Magnet® Card offers a **\$150 statement credit** after you spend \$1,000 or more in purchases on the card in your first 3 months from account opening.* There's cash back too, including unlimited 1.5% back on every eligible purchase.*† And best of all, **you're already pre-approved.**** Approval isn't guaranteed, but 90% of pre-approved applicants get this card, so it's a great start.

Plus, this card has a **0% intro APR for 15 months from date of account opening on purchases.** After that, there's a **variable APR of 13.99 to 23.99%.**⌘

More rewards and no annual fee.⌘ Head over to apply now.

†Cash back is received in the form of Reward Dollars that can be redeemed as a statement credit.

[*Offer & Benefit Terms](#) | [Rates and Fees](#)

Apply now



Looking for other options?
Check out more recommendations.

See more cards



Already have this card?
More info means better recommendations.

Confirm this card



Are you missing out on rewards?
Matching your cards could help you earn more.

Learn more

This offer is current as of email send date.

**You have received this pre-approved offer because you met certain criteria determined by American Express for a pre-approved offer, as of the email send date. This is not a guarantee of approval. When making an approval decision, American Express may consider your credit score, any delinquency or bankruptcy on your credit report, your previous history with American Express, ability to pay, fraud risk and other eligibility requirements.



This is a promotional email. To manage your Credit Karma emails, please go to your [Communication & Monitoring Preferences](#).

Apple, the Apple logo, and iPhone are trademarks of Apple Inc., registered in the U.S. and other countries. App Store is a service mark of Apple Inc.

Android, Google Play and the Google Play logo are trademarks of Google Inc.

The offers for financial products that you see on Credit Karma come from companies who pay us. Compensation may factor into the decision to send you this particular email.

Mortgage products and services offered through Credit Karma Mortgage, Inc. NMLS ID# 1588622 | [Licenses](#) | [NMLS Consumer Access](#). Loan services offered through Credit Karma Offers, Inc., NMLS ID# 1628077 | [Licenses](#) | [NMLS Consumer Access](#). California loans arranged pursuant to a California Financing Law license. Auto, homeowners, and renters insurance services offered through Credit Karma Insurance Services, LLC (dba Karma Insurance Services, LLC; CA resident license #0172748)..

9/9/2020

Credit Karma Mail - Nice, value1! You're pre-approved for this Amex Card.

Credit Karma, Inc., P.O. Box 520, San Francisco, CA 94104-0520 Copyright © 2008-2020 Credit Karma, Inc. All Rights Reserved. Note: Never share your online banking or Credit Karma passwords with anyone, including us!

[Privacy Policy](#) [Terms of Use](#) [Unsubscribe](#)

Exhibit C

Browse categories

- Top picks for you
- Rewards
- Cash back
- Balance transfer
- 0% and low interest
- Travel
- Hotel
- More

Advertiser disclosure & editorial note

Search credit cards

Credit Cards Marketplace

Top picks

You have low balances and pay on time. Find a card that rewards your great credit habits.



Credit Karma's take for this offer **VERY GOOD APPROVAL ODDS**

Chase Sapphire Preferred® Card
 ★★★★★ 863 Reviews
Rewards rate: 1x - 5x (Points per dollar)
Welcome bonus: 60,000 (Points)
Editors' bonus estimate: \$1,026
Annual fee: \$95

Apply now
[See details, rates, and fees](#)



YOU'RE PRE-APPROVED

90% of pre-approved applicants get this card. Approval not guaranteed; subject to checks.

Citi® Double Cash Card
 ★★★★★ 866 Reviews
Rewards rate: 1% - 2% (Cash back)
Annual fee: \$0

Apply now
[See details, rates, and fees](#)



Credit Karma's take for this offer **EXCELLENT APPROVAL ODDS**

Blue Cash Preferred® Card from American Express
 ★★★★★ 493 Reviews
Rewards rate: 1% - 6% (Cash back)
Welcome bonus: \$250
Annual fee: \$95

Apply now
[See details, rates, and fees](#)



Credit Karma's take for this offer **EXCELLENT APPROVAL ODDS**

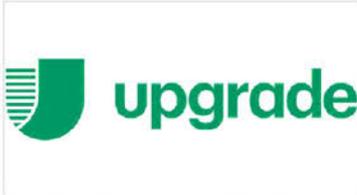
American Express Card
 ★★★★★ 493 Reviews
Rewards rate: 1% - 6% (Cash back)
Welcome bonus: \$250
Annual fee: \$95

Apply now
[See details, rates, and fees](#)

Exhibit D

My Offers

Upgrade



279 Reviews

YOU'RE PRE-APPROVED

You're at 90% odds, so you'll likely get this loan subject to final checks of your information

LOAN AMOUNT	PAYMENT EST.*
\$15,000	\$463 /month
APR EST.*	LENGTH
8.99%	36 months
APR may change	
INTEREST & FEES EST.*	
\$2,871	

Take offer

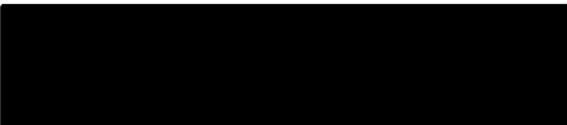
[Show rate disclosure and partner details](#)



Exhibit E

credit karma®

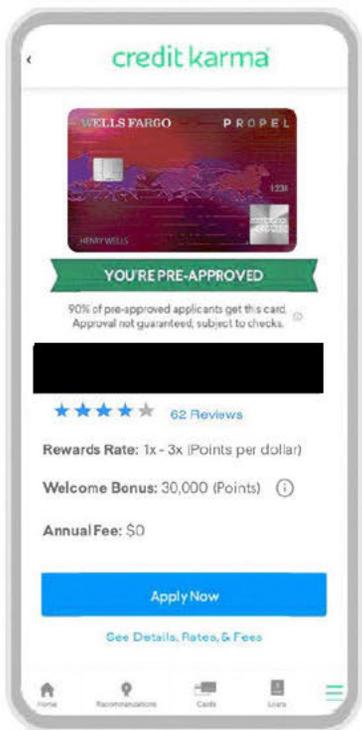
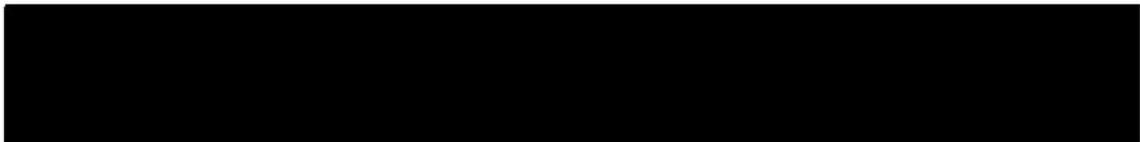
San Francisco | Charlotte | Los Angeles | Leeds | London

 &
Credit Karma

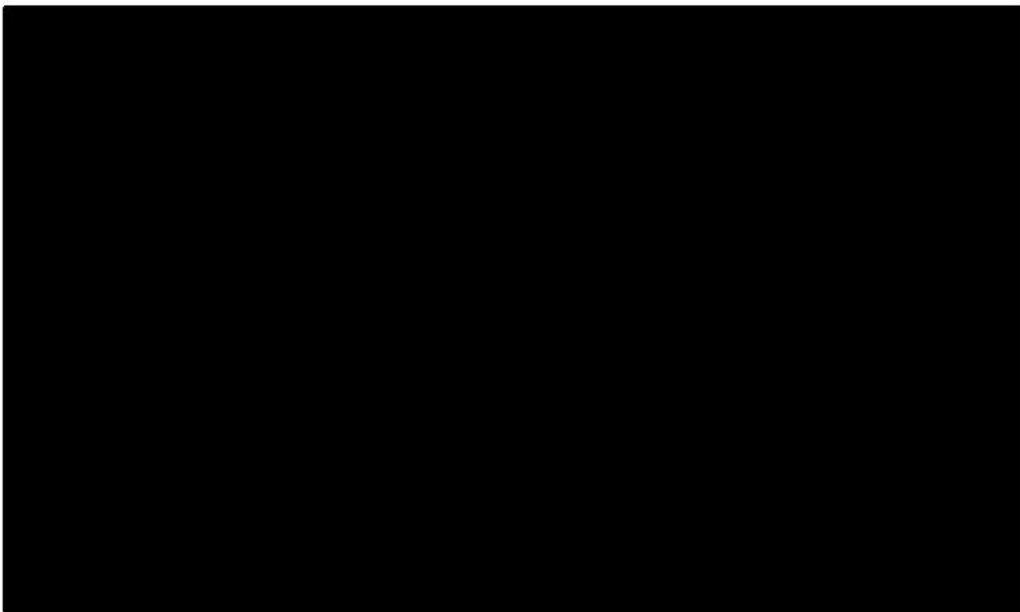
Leadership Summit

JULY 2019

Proprietary and Confidential

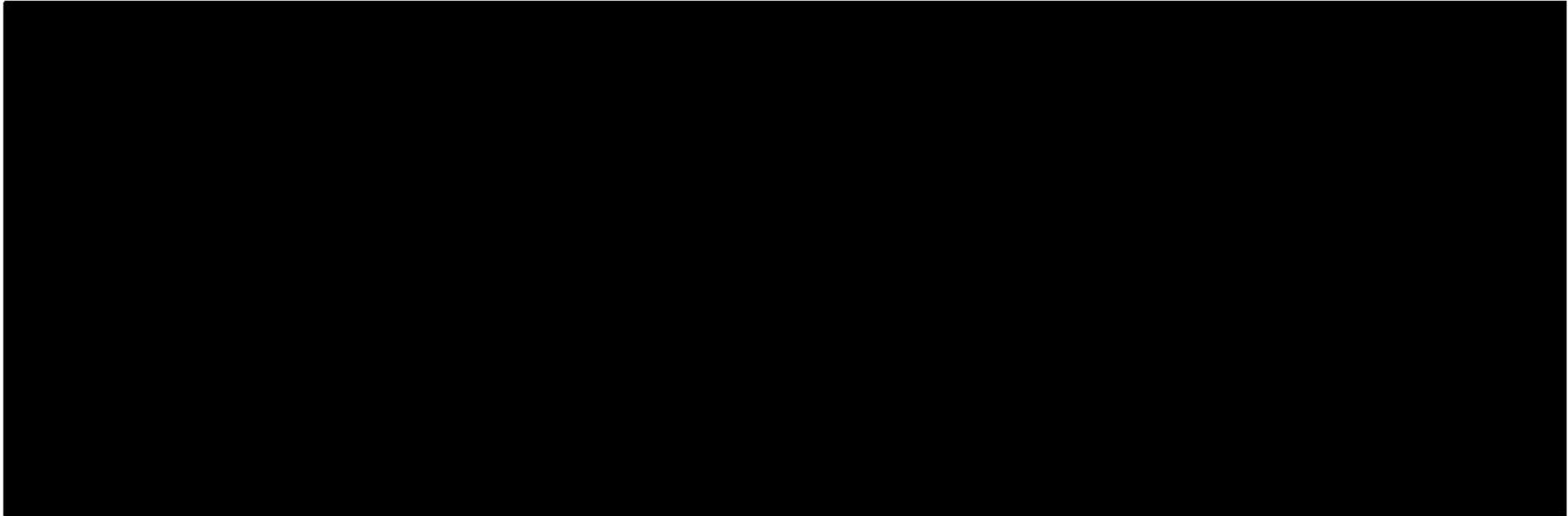


- Pre-approved offers give members certainty and transparency on offer decisioning



We believe Credit Karma represents a significant opportunity for [REDACTED] to grow its card business while controlling quality

- [REDACTED] signed up, with permission to access their credit scores to make **real time pre-approved offers**

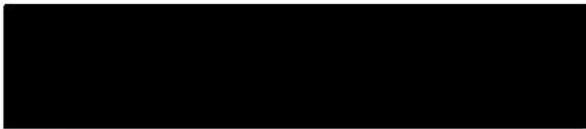


Certainty is important for members; [REDACTED] increase in click lift through conversion across the credit spectrum

The image displays four credit card application cards arranged in a 2x2 grid. The top-left card is an American Express Blue Cash Everyday Card, showing a card image with the number 3759 876543 2001 and the name T. Frost. Below the card image, it says 'Blue Cash Everyday® Card from American Express' and 'YOU'RE PRE-APPROVED!'. The top-right card is an Indigo Platinum Mastercard, showing a colorful abstract card image. It says 'YOU'RE PRE-APPROVED!' and 'Indigo® Platinum Mastercard®'. Below the image, it says 'Congrats! You're at 90% odds: You're pre-approved, so you'll likely get this card subject to final checks.' The bottom-left card is an Olio Platinum Mastercard, showing a dark card image with the number 5379 4301 2345 6789 and the name ROBERT MILLER. It says 'PREAPPROVED' and 'Olio Platinum Mastercard®'. Below the image, it says 'Congrats! You're at 90% odds: You're pre-approved, so you'll likely get this card subject to final checks.' The bottom-right card is a black redaction box.

Exhibit F

credit karma

 &
Credit Karma

July 2020

Proprietary and Confidential

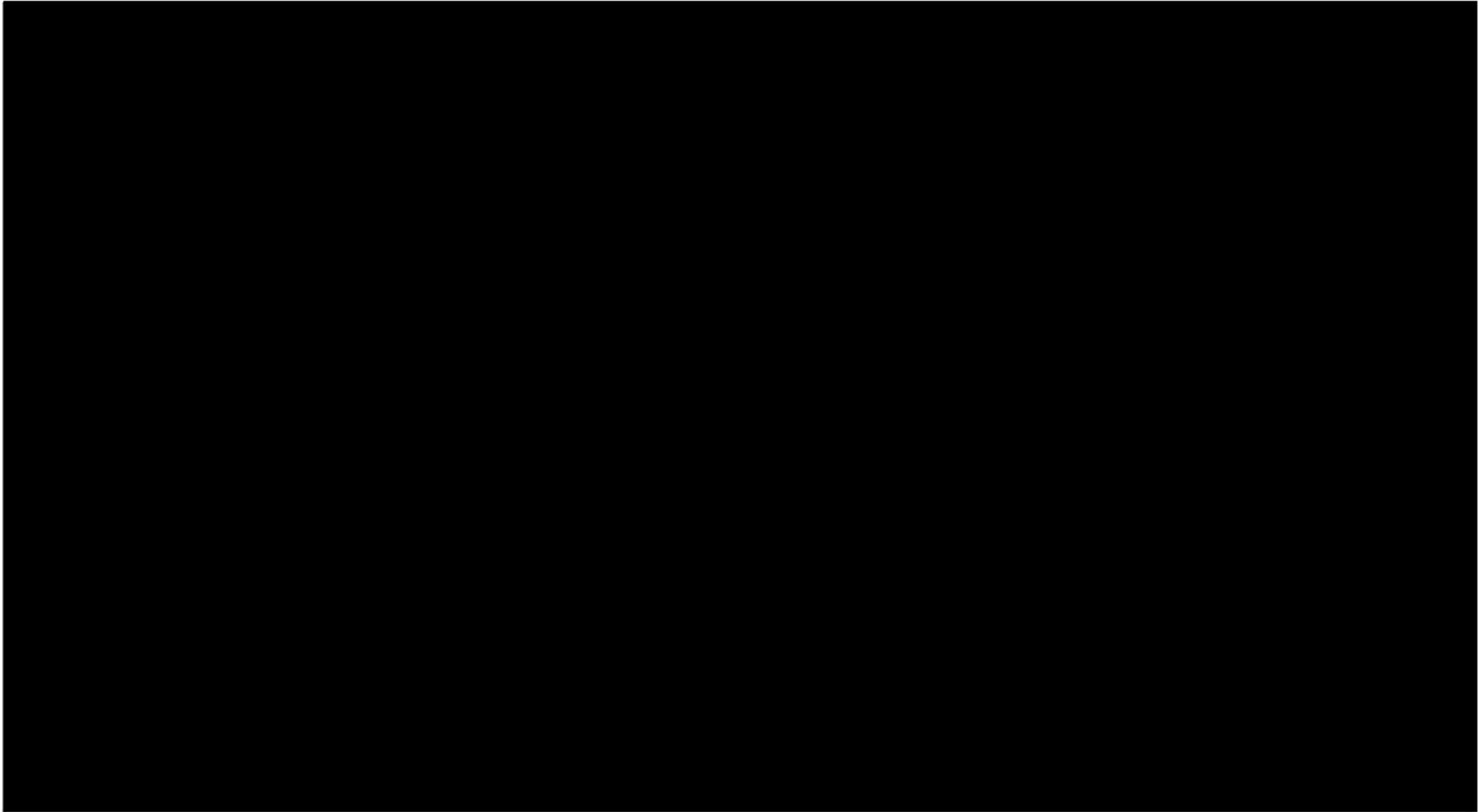
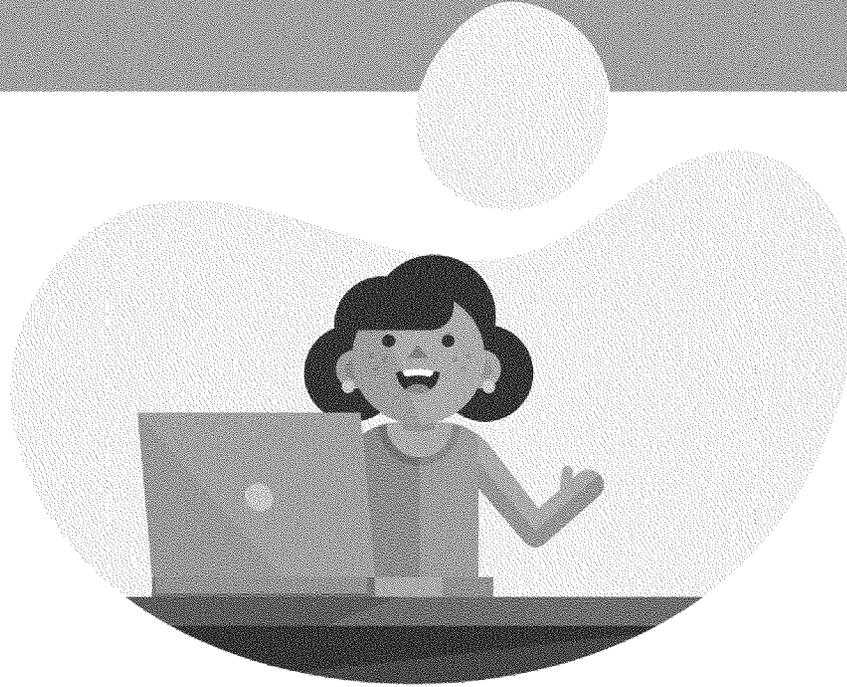


Exhibit G

credit karma™

Financial Products Internal Training



credit karma™

Agenda

What is a Marketplace?

Member Experience

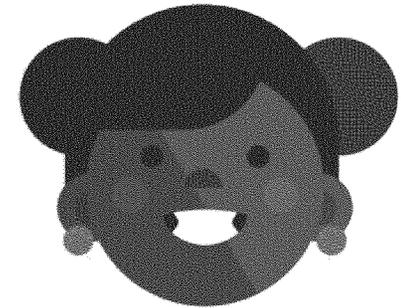
Credit Cards

**Common Member Credit Card
questions and Macro
Responses**

credit karma

Application Declined Questions

I was declined for a pre-approved credit card offer through Ollo. How is that possible?!?!?



credit karma

Approach

Identify needs

- Member is confused about pre-approval and what it means

Terms and definitions

- Pre-approval

Clarification

- Need to know specific card member applied for

Where to look in the product

- Login as user and navigate to cards to look for pre-approved offer.

Articles and resources

- Pre-approval resource (coming soon to KB near you)
- Escalate to [REDACTED]

credit karma

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Lina M. Khan, Chair**
 Rebecca Kelly Slaughter
 Christine S. Wilson
 Alvaro M. Bedoya

<p>In the Matter of</p> <p>CREDIT KARMA, LLC, a limited liability company.</p>
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DECISION AND ORDER

DOCKET NO. C-4781

DECISION

The Federal Trade Commission (“Commission”) initiated an investigation of certain acts and practices of Respondent named in the caption. The Commission’s Bureau of Consumer Protection (“BCP”) prepared and furnished to Respondent a draft Complaint. BCP proposed to present the draft Complaint to the Commission for its consideration. If issued by the Commission, the draft Complaint would charge the Respondent with violations of the Federal Trade Commission Act.

Respondent and BCP thereafter executed an Agreement Containing Consent Order (“Consent Agreement”). The Consent Agreement includes: 1) statements by Respondent that it neither admits nor denies any of the allegations in the Complaint, except as specifically stated in this Decision and Order, and that only for purposes of this action, it admits the facts necessary to establish jurisdiction; and 2) waivers and other provisions as required by the Commission’s Rules.

The Commission considered the matter and determined that it had reason to believe that Respondent has violated the Federal Trade Commission Act, and that a Complaint should issue stating its charges in that respect. The Commission accepted the executed Consent Agreement and placed it on the public record for a period of 30 days for the receipt and consideration of public comments. The Commission duly considered any comments received from interested persons pursuant to Section 2.34 of its Rules, 16 C.F.R. § 2.34. Now, in further conformity with the procedure prescribed in Rule 2.34, the Commission issues its Complaint, makes the following Findings, and issues the following Order:

Findings

1. The Respondent is Credit Karma, LLC, a Delaware limited liability company, with its principal office or place of business at 1100 Broadway, STE 1800, Oakland, California 94607. Respondent has been the successor to Credit Karma, Inc. since December 2020.
2. The Commission has jurisdiction over the subject matter of this proceeding and over the Respondent, and the proceeding is in the public interest.

ORDER

Definitions

For purposes of this Order:

- A. "Covered Product or Service" means any product, service, plan, or program represented, expressly or by implication, to:
 1. provide any consumer, arrange for any consumer to receive, or assist any consumer in receiving, a loan or other extension of credit (other than a loan secured by real property); or
 2. provide any consumer, arrange for any consumer to receive, or assist any consumer in receiving, credit or stored value cards.
- B. "Respondent" means Credit Karma, LLC, a Delaware limited liability company and the successor to Credit Karma, Inc. since December 2020, and its successors and assigns.

Provisions

I. Prohibited Misleading and Unsubstantiated Representations

IT IS ORDERED that Respondent, and Respondent's officers, agents, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with the advertising, promotion, offering, or recommendation of any Covered Product or Service, must not make any representation, expressly or by implication, about:

- A. approval, including pre-approval; or
- B. a consumer's odds or likelihood of being approved;

unless the representation is non-misleading, including that, at the time such representation is made, Respondent possesses and relies upon a reasonable basis for the representation.

II. Monetary Relief

IT IS FURTHER ORDERED that:

- A. Respondent must pay to the Commission \$3,000,000.
- B. Such payment must be made within eight (8) days of the effective date of this Order by electronic fund transfer in accordance with instructions provided by a representative of the Commission.

III. Additional Monetary Provisions

IT IS FURTHER ORDERED that:

- A. Respondent relinquishes dominion and all legal and equitable right, title, and interest in all assets transferred pursuant to this Order and may not seek the return of any assets.
- B. The facts alleged in the Complaint will be taken as true, without further proof, in any subsequent civil litigation by or on behalf of the Commission to enforce its rights to any payment pursuant to this Order, such as a nondischargeability complaint in any bankruptcy case.
- C. The facts alleged in the Complaint establish all elements necessary to sustain an action by or on behalf of the Commission pursuant to Section 523(a)(2)(A) of the Bankruptcy Code, 11 U.S.C. § 523(a)(2)(A), and this Order will have collateral estoppel effect for such purposes.
- D. All money paid to the Commission pursuant to this Order may be deposited into a fund administered by the Commission or its designee to be used for relief, including consumer redress and any attendant expenses for the administration of any redress fund. If a representative of the Commission decides that direct redress to consumers is wholly or partially impracticable or money remains after redress is completed, the Commission may apply any remaining money for such other relief (including consumer information remedies) as it determines to be reasonably related to Respondent's practices alleged in the Complaint. Any money not used is to be deposited to the U.S. Treasury. Respondent has no right to challenge any activities pursuant to this Provision.

IV. Customer Information

IT IS FURTHER ORDERED that Respondent must directly or indirectly provide sufficient customer information to enable the Commission to efficiently administer consumer redress. If a representative of the Commission requests in writing any information related to

redress, Respondent must provide it, in the form prescribed by the Commission representative, within 14 days.

V. Acknowledgments of the Order

IT IS FURTHER ORDERED that Respondent obtain acknowledgments of receipt of this Order:

- A. Respondent, within 10 days after the effective date of this Order, must submit to the Commission an acknowledgment of receipt of this Order sworn under penalty of perjury.
- B. Respondent must deliver a copy of this Order to: (1) all principals, officers, directors, and LLC managers and members; (2) all employees, agents, and representatives having managerial responsibilities for conduct related to the subject matter of this Order; and (3) any business entity resulting from any change in structure as set forth in the Provision titled Compliance Report and Notices. Delivery must occur within 10 days after the effective date of this Order for current personnel. For all others, delivery must occur before they assume their responsibilities.
- C. From each individual or entity to which Respondent delivered a copy of this Order, Respondent must obtain, within 30 days, a signed and dated acknowledgment of receipt of this Order.

VI. Compliance Report and Notices

IT IS FURTHER ORDERED that Respondent make timely submissions to the Commission:

- A. One year after the issuance date of this Order, Respondent must submit a compliance report, sworn under penalty of perjury, in which Respondent must: (1) identify the primary physical, postal, and email address and telephone number, as designated points of contact, which representatives of the Commission, may use to communicate with Respondent; (2) identify all of Respondent's businesses by all of their names, telephone numbers, and physical, postal, email, and Internet addresses; (3) describe the activities of each business; (4) describe in detail whether and how Respondent is in compliance with each Provision of this Order, including a discussion of all of the changes Respondent made to comply with the Order; and (5) provide a copy of each Acknowledgment (or documents showing electronic Acknowledgment) of the Order obtained pursuant to this Order, unless previously submitted to the Commission.
- B. For 5 years after the issuance date of this Order, Respondent must submit a compliance notice, sworn under penalty of perjury, within 14 days of any change in: (1) any designated point of contact; or (2) the structure of Respondent or any entity that Respondent has any ownership interest in or controls directly or indirectly that may affect compliance obligations arising under this Order, including: creation, merger, sale, or

dissolution of the entity or any subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order.

- C. Respondent must submit notice of the filing of any bankruptcy petition, insolvency proceeding, or similar proceeding by or against such Respondent within 14 days of its filing.
- D. Any submission to the Commission required by this Order to be sworn under penalty of perjury must be true and accurate and comply with 28 U.S.C. § 1746, such as by concluding: “I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on: _____” and supplying the date, signatory’s full name, title (if applicable), and signature.
- E. Unless otherwise directed by a Commission representative in writing, all submissions to the Commission pursuant to this Order must be emailed to DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to: Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580. The subject line must begin: *In re Credit Karma, LLC*, Docket No. C-.

VII. Recordkeeping

IT IS FURTHER ORDERED that Respondent must create certain records for 5 years after the issuance date of the Order, and retain each such record for 5 years, unless otherwise specified below. Specifically, Respondent must create and retain the following records:

- A. accounting records showing all revenues, the costs incurred in generating those revenues, and resulting net profit or loss;
- B. personnel records showing, for each person providing services in relation to any aspect of the Order, whether as an employee or otherwise, that person’s: name; addresses; telephone numbers; job title or position; dates of service; and (if applicable) the reason for termination;
- C. records of all consumer complaints concerning the subject matter of the Order, whether received directly or indirectly, such as through a third party, and any response;
- D. a copy of each materially different advertisement or other marketing material making a representation subject to this Order;
- E. records of any market, behavioral, or psychological research, or user, customer, or usability testing, including any A/B or multivariate testing, copy testing, surveys, focus groups, interviews, clickstream analysis, eye or mouse tracking studies, heat maps, or session replays or recordings concerning the subject matter of the Order;

- F. copies of all subpoenas and other communications with law enforcement, if such communication relate to Respondent's compliance with this Order;
- G. all records, whether prepared by or on behalf of Respondent, that demonstrate non-compliance OR tend to show any lack of compliance by Respondent with this Order; and
- H. all records necessary to demonstrate full compliance with each provision of this Order, including all submissions to the Commission.

VIII. Compliance Monitoring

IT IS FURTHER ORDERED that, for the purpose of monitoring Respondent's compliance with this Order:

- A. Within 30 days of receipt of a written request from a representative of the Commission, Respondent must: submit additional compliance reports or other requested information, which must be sworn under penalty of perjury, and produce records for inspection and copying.
- B. For matters concerning this Order, representatives of the Commission are authorized to communicate directly with Respondent. Respondent must permit representatives of the Commission to interview anyone affiliated with Respondent who has agreed to such an interview. The interviewee may have counsel present.
- C. The Commission may use all other lawful means, including posing through its representatives as consumers, suppliers, or other individuals or entities, to Respondent or any individual or entity affiliated with Respondent, without the necessity of identification or prior notice. Nothing in this Order limits the Commission's lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49, 57b-1.

IX. Order Effective Dates

IT IS FURTHER ORDERED that this Order is final and effective upon the date of its publication on the Commission's website (ftc.gov) as a final order. This Order will terminate 20 years from the date of its issuance (which date may be stated at the end of this Order, near the Commission's seal), or 20 years from the most recent date that the United States or the Commission files a complaint (with or without an accompanying settlement) in federal court alleging any violation of this Order, whichever comes later; *provided, however*, that the filing of such a complaint will not affect the duration of:

- A. Any Provision in this Order that terminates in less than 20 years;
- B. This Order's application to any Respondent that is not named as a defendant in such complaint; and

C. This Order if such complaint is filed after the Order has terminated pursuant to this Provision.

Provided, further, that if such complaint is dismissed or a federal court rules that Respondent did not violate any provision of the Order, and the dismissal or ruling is either not appealed or upheld on appeal, then the Order will terminate according to this Provision as though the complaint had never been filed, except that the Order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

By the Commission.

April J. Tabor
Secretary

SEAL:
ISSUED: January 19, 2023



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of the Secretary

January 19, 2023

Model response "A"

Re: *In the Matter of Credit Karma, LLC*, Matter No. 202 3138

We would like to thank you for commenting on the Federal Trade Commission's ("Commission" or "FTC") proposed consent order in the above-referenced proceeding. The Commission has placed your comment on the public record pursuant to Rule 4.9(b)(6)(ii) of the agency's Rules of Practice, 16 C.F.R. §4.9(b)(6)(ii). The Commission is committed to protecting consumers in the credit marketplace from deceptive practices, including the use of "dark patterns" to mislead consumers, so we greatly appreciate your feedback.

The complaint in this matter alleges that Credit Karma misrepresented that consumers had been "pre-approved" for third-party financial products, such as credit cards. Despite these preapproval claims, financial product companies had not already approved these consumers. In fact, as alleged in the complaint, for many of these offers, almost a third of consumers who applied were subsequently denied based on the financial product companies' underwriting review. The complaint further alleges that Credit Karma knew that its prominent pre-approval claims conveyed false "certainty" to consumers (based on the results of experiments known as A/B testing) and employed them deliberately to influence consumers' behavior. In fact, to the extent the company revealed that consumers' approval was anything less than certain, it allegedly did so by making additional false claims that consumers' likelihood of approval was 90%, or by using buried disclaimers.

The proposed order would prohibit Credit Karma from making misleading or unsubstantiated claims about approval, including pre-approval, as well as about a consumer's odds or likelihood of being approved. Further, the proposed order would require Credit Karma to pay \$3 million in monetary relief – to be sent to consumers who wasted time applying for the offers described in the complaint. Additionally, to help prevent future use of deceptive dark patterns, the order would require Credit Karma to preserve records of any market, behavioral, or psychological research, or user, customer, or usability testing, including any A/B testing.

Your comment expresses concerns about potentially misleading credit offers presented to you by Credit Karma. Therefore, we have added your comment to our agency's complaint database, which assists us in tracking complaints and making informed law enforcement decisions, as well as identifying consumers who are potentially eligible for monetary relief. Further, if you have any additional information regarding these practices, we would encourage

you to submit a complaint to the Commission at our website, reportfraud.ftc.gov, or by calling our Consumer Response Center at (877) 382-4357. In the coming months, the FTC's staff will also be working to identify consumers who may be eligible to receive monetary relief in this matter. For detailed information on the Commission's processes for identifying eligible consumers and sending money to them, please see [this website](#).

Having considered all the facts of this case and all of the comments submitted in response to the proposed consent order, the Commission has now determined that the public interest would best be served by issuing the Complaint and the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. The Commission thanks you again for your comment.

By direction of the Commission.

April J. Tabor
Secretary



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of the Secretary

January 19, 2023

Model response "B"

Re: *In the Matter of Credit Karma, LLC*, Matter No. 202 3138

We would like to thank you for commenting on the Federal Trade Commission's ("Commission" or "FTC") proposed consent order in the above-referenced proceeding. The Commission has placed your comment on the public record pursuant to Rule 4.9(b)(6)(ii) of the agency's Rules of Practice, 16 C.F.R. §4.9(b)(6)(ii). The Commission is committed to protecting consumers in the credit marketplace from deceptive practices, including the use of "dark patterns" to mislead consumers, so we greatly appreciate your feedback.

The complaint in this matter alleges that Credit Karma misrepresented that consumers had been "pre-approved" for third-party financial products, such as credit cards. Despite these preapproval claims, financial product companies had not already approved these consumers. In fact, as alleged in the complaint, for many of these offers, almost a third of consumers who applied were subsequently denied based on the financial product companies' underwriting review. The complaint further alleges that Credit Karma knew that its prominent pre-approval claims conveyed false "certainty" to consumers (based on the results of experiments known as A/B testing) and employed them deliberately to influence consumers' behavior. In fact, to the extent the company revealed that consumers' approval was anything less than certain, it allegedly did so by making additional false claims that consumers' likelihood of approval was 90%, or by using buried disclaimers.

The proposed order would prohibit Credit Karma from making misleading or unsubstantiated claims about approval, including pre-approval, as well as about a consumer's odds or likelihood of being approved. Further, the proposed order would require Credit Karma to pay \$3 million in monetary relief – to be sent to consumers who wasted time applying for the offers described in the complaint. Additionally, to help prevent future use of deceptive dark patterns, the order would require Credit Karma to preserve records of any market, behavioral, or psychological research, or user, customer, or usability testing, including any A/B testing.

In your comment, you express general support for the FTC's action in this case. We appreciate this support and remain committed to combatting unlawful practices in the credit marketplace. Having considered all the facts of this case and all of the comments submitted in response to the proposed consent order, the Commission has now determined that the public interest would best be served by issuing the Complaint and the Decision and Order in final form

without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. The Commission thanks you again for your comment.

By direction of the Commission.

April J. Tabor
Secretary



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of the Secretary

January 19, 2023

Model response "C"

Re: *In the Matter of Credit Karma, LLC*, Matter No. 202 3138

We would like to thank you for commenting on the Federal Trade Commission's ("Commission" or "FTC") proposed consent order in the above-referenced proceeding. The Commission has placed your comment on the public record pursuant to Rule 4.9(b)(6)(ii) of the agency's Rules of Practice, 16 C.F.R. §4.9(b)(6)(ii). The Commission is committed to protecting consumers in the credit marketplace from deceptive practices, including the use of "dark patterns" to mislead consumers, so we greatly appreciate your feedback.

The complaint in this matter alleges that Credit Karma misrepresented that consumers had been "pre-approved" for third-party financial products, such as credit cards. Despite these preapproval claims, financial product companies had not already approved these consumers. In fact, as alleged in the complaint, for many of these offers, almost a third of consumers who applied were subsequently denied based on the financial product companies' underwriting review. The complaint further alleges that Credit Karma knew that its prominent pre-approval claims conveyed false "certainty" to consumers (based on the results of experiments known as A/B testing) and employed them deliberately to influence consumers' behavior. In fact, to the extent the company revealed that consumers' approval was anything less than certain, it allegedly did so by making additional false claims that consumers' likelihood of approval was 90%, or by using buried disclaimers.

The proposed order would prohibit Credit Karma from making misleading or unsubstantiated claims about approval, including pre-approval, as well as about a consumer's odds or likelihood of being approved. Further, the proposed order would require Credit Karma to pay \$3 million in monetary relief – to be sent to consumers who wasted time applying for the offers described in the complaint. Additionally, to help prevent future use of deceptive dark patterns, the order would require Credit Karma to preserve records of any market, behavioral, or psychological research, or user, customer, or usability testing, including any A/B testing.

In your comment, you express general concern about Credit Karma's alleged conduct in this case. We share your concerns and emphasize that the proposed order will prohibit the deceptive conduct at issue in this matter and provide monetary relief to affected consumers. Having considered all the facts of this case and all of the comments submitted in response to the proposed consent order, the Commission has now determined that the public interest would best

be served by issuing the Complaint and the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. The Commission thanks you again for your comment.

By direction of the Commission.

April J. Tabor
Secretary



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of the Secretary

January 19, 2023

Model response "D"

Re: *In the Matter of Credit Karma, LLC*, Matter No. 202 3138

We would like to thank you for commenting on the Federal Trade Commission's ("Commission" or "FTC") proposed consent order in the above-referenced proceeding. The Commission has placed your comment on the public record pursuant to Rule 4.9(b)(6)(ii) of the agency's Rules of Practice, 16 C.F.R. §4.9(b)(6)(ii). The Commission is committed to protecting consumers in the credit marketplace from deceptive practices, including the use of "dark patterns" to mislead consumers, so we greatly appreciate your feedback.

The complaint in this matter alleges that Credit Karma misrepresented that consumers had been "pre-approved" for third-party financial products, such as credit cards. Despite these preapproval claims, financial product companies had not already approved these consumers. In fact, as alleged in the complaint, for many of these offers, almost a third of consumers who applied were subsequently denied based on the financial product companies' underwriting review. The complaint further alleges that Credit Karma knew that its prominent pre-approval claims conveyed false "certainty" to consumers (based on the results of experiments known as A/B testing) and employed them deliberately to influence consumers' behavior. In fact, to the extent the company revealed that consumers' approval was anything less than certain, it allegedly did so by making additional false claims that consumers' likelihood of approval was 90%, or by using buried disclaimers.

The proposed order would prohibit Credit Karma from making misleading or unsubstantiated claims about approval, including pre-approval, as well as about a consumer's odds or likelihood of being approved. Further, the proposed order would require Credit Karma to pay \$3 million in monetary relief – to be sent to consumers who wasted time applying for the offers described in the complaint. Additionally, to help prevent future use of deceptive dark patterns, the order would require Credit Karma to preserve records of any market, behavioral, or psychological research, or user, customer, or usability testing, including any A/B testing.

In your comment, you express concern about aspects of your experience with Credit Karma beyond the conduct detailed in the Commission's proposed complaint in this matter. Therefore, we have added your comment to our agency's complaint database, which assists us in tracking complaints and helps inform our law enforcement decisions. Further, if you have any additional information regarding these practices, we would encourage you to submit a complaint

to the Commission at our website, reportfraud.ftc.gov, or by calling our Consumer Response Center at (877) 382-4357.

Having considered all the facts of this case and all of the comments submitted in response to the proposed consent order, the Commission has now determined that the public interest would best be served by issuing the Complaint and the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. The Commission thanks you again for your comment.

By direction of the Commission.

April J. Tabor
Secretary



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of the Secretary

January 19, 2023

Model response "E"

Re: *In the Matter of Credit Karma, LLC*, Matter No. 202 3138

We would like to thank you for commenting on the Federal Trade Commission's ("Commission" or "FTC") proposed consent order in the above-referenced proceeding. The Commission has placed your comment on the public record pursuant to Rule 4.9(b)(6)(ii) of the agency's Rules of Practice, 16 C.F.R. §4.9(b)(6)(ii). The Commission is committed to protecting consumers in the credit marketplace from deceptive practices, including the use of "dark patterns" to mislead consumers, so we greatly appreciate your feedback.

The complaint in this matter alleges that Credit Karma misrepresented that consumers had been "pre-approved" for third-party financial products, such as credit cards. Despite these preapproval claims, financial product companies had not already approved these consumers. In fact, as alleged in the complaint, for many of these offers, almost a third of consumers who applied were subsequently denied based on the financial product companies' underwriting review. The complaint further alleges that Credit Karma knew that its prominent pre-approval claims conveyed false "certainty" to consumers (based on the results of experiments known as A/B testing) and employed them deliberately to influence consumers' behavior. In fact, to the extent the company revealed that consumers' approval was anything less than certain, it allegedly did so by making additional false claims that consumers' likelihood of approval was 90%, or by using buried disclaimers.

The proposed order would prohibit Credit Karma from making misleading or unsubstantiated claims about approval, including pre-approval, as well as about a consumer's odds or likelihood of being approved. Further, the proposed order would require Credit Karma to pay \$3 million in monetary relief – to be sent to consumers who wasted time applying for the offers described in the complaint. Additionally, to help prevent future use of deceptive dark patterns, the order would require Credit Karma to preserve records of any market, behavioral, or psychological research, or user, customer, or usability testing, including any A/B testing.

In your comment, you express the view that the relief secured by the Commission in the proposed order is insufficient. The Commission has determined, however, that the proposed order in this case provides important protections for consumers – which would both prohibit Credit Karma from making deceptive approval-related claims in the future and secure \$3 million in monetary relief for consumers who wasted time applying for purportedly-"pre-approved"

offers for which they were denied. Additionally, the company will be subject to the Commission's final order for twenty years and liable for civil penalties of up to \$46,517 per violation should it violate that order, pursuant to Section 5(l) of the FTC Act, 15 U.S.C. § 45(l). Further, while the Commission has successfully secured significant monetary relief in this matter, the Supreme Court's decision in *AMG Capital Mgmt.*, 141 S. Ct. 1341 (2021), limited the agency's authority to obtain money under the FTC Act. Therefore, in addition to obtaining money in cases such as this one, the FTC has advocated for federal legislation restoring the FTC's broad ability to obtain redress for consumers.

Having considered all the facts of this case and all of the comments submitted in response to the proposed consent order, the Commission has now determined that the public interest would best be served by issuing the Complaint and the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. The Commission thanks you again for your comment.

By direction of the Commission.

April J. Tabor
Secretary



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of the Secretary

January 19, 2023

Kenneth H. Ryesky, Esq.

Re: *In the Matter of Credit Karma, LLC*, Matter No. 202 3138

We would like to thank you for commenting on the Federal Trade Commission's ("Commission" or "FTC") proposed consent order in the above-referenced proceeding. The Commission has placed your comment on the public record pursuant to Rule 4.9(b)(6)(ii) of the agency's Rules of Practice, 16 C.F.R. §4.9(b)(6)(ii). The Commission is committed to protecting consumers in the credit marketplace from deceptive practices, including the use of "dark patterns" to mislead consumers, so we greatly appreciate your feedback.

The complaint in this matter alleges that Credit Karma misrepresented that consumers had been "pre-approved" for third-party financial products, such as credit cards. Despite these preapproval claims, financial product companies had not already approved these consumers. In fact, as alleged in the complaint, for many of these offers, almost a third of consumers who applied were subsequently denied based on the financial product companies' underwriting review. The complaint further alleges that Credit Karma knew that its prominent pre-approval claims conveyed false "certainty" to consumers (based on the results of experiments known as A/B testing) and employed them deliberately to influence consumers' behavior. In fact, to the extent the company revealed that consumers' approval was anything less than certain, it allegedly did so by making additional false claims that consumers' likelihood of approval was 90%, or by using buried disclaimers.

The proposed order would prohibit Credit Karma from making misleading or unsubstantiated claims about approval, including pre-approval, as well as about a consumer's odds or likelihood of being approved. Further, the proposed order would require Credit Karma to pay \$3 million in monetary relief – to be sent to consumers who wasted time applying for the offers described in the complaint. Additionally, to help prevent future use of deceptive dark patterns, the order would require Credit Karma to preserve records of any market, behavioral, or psychological research, or user, customer, or usability testing, including any A/B testing.

In your comment, you express support for the FTC's proposed complaint and order in this case – and state that the requirements of the order are appropriate to stop the unlawful conduct alleged in this matter. We appreciate your support for the proposed complaint and order and remain committed to combatting unlawful practices in the credit marketplace. Having considered all the facts of this case and all of the comments submitted in response to the

proposed consent order, the Commission has now determined that the public interest would best be served by issuing the Complaint and the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. The Commission thanks you again for your comment.

By direction of the Commission.

April J. Tabor
Secretary



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of the Secretary

January 19, 2023

Elexus Robinson
Columbia, South Carolina

Re: *In the Matter of Credit Karma, LLC*, Matter No. 202 3138

We would like to thank you for commenting on the Federal Trade Commission's ("Commission" or "FTC") proposed consent order in the above-referenced proceeding. The Commission has placed your comment on the public record pursuant to Rule 4.9(b)(6)(ii) of the agency's Rules of Practice, 16 C.F.R. §4.9(b)(6)(ii). The Commission is committed to protecting consumers in the credit marketplace from deceptive practices, including the use of "dark patterns" to mislead consumers, so we greatly appreciate your feedback.

The complaint in this matter alleges that Credit Karma misrepresented that consumers had been "pre-approved" for third-party financial products, such as credit cards. Despite these preapproval claims, financial product companies had not already approved these consumers. In fact, as alleged in the complaint, for many of these offers, almost a third of consumers who applied were subsequently denied based on the financial product companies' underwriting review. The complaint further alleges that Credit Karma knew that its prominent pre-approval claims conveyed false "certainty" to consumers (based on the results of experiments known as A/B testing) and employed them deliberately to influence consumers' behavior. In fact, to the extent the company revealed that consumers' approval was anything less than certain, it allegedly did so by making additional false claims that consumers' likelihood of approval was 90%, or by using buried disclaimers.

The proposed order would prohibit Credit Karma from making misleading or unsubstantiated claims about approval, including pre-approval, as well as about a consumer's odds or likelihood of being approved. Further, the proposed order would require Credit Karma to pay \$3 million in monetary relief – to be sent to consumers who wasted time applying for the offers described in the complaint. Additionally, to help prevent future use of deceptive dark patterns, the order would require Credit Karma to preserve records of any market, behavioral, or psychological research, or user, customer, or usability testing, including any A/B testing.

In your comment, you express concern about your experiences with a third-party financial product company that is not the subject of the Commission's proposed complaint and order in this matter. Therefore, we have added your comment to our agency's complaint database, which assists us in tracking complaints and helps inform our law enforcement decisions. Further, if you have any additional information regarding these practices, we would encourage you to submit a

complaint to the Commission at our website, reportfraud.ftc.gov, or by calling our Consumer Response Center at (877) 382-4357.

Having considered all the facts of this case and all of the comments submitted in response to the proposed consent order, the Commission has now determined that the public interest would best be served by issuing the Complaint and the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. The Commission thanks you again for your comment.

By direction of the Commission.

April J. Tabor
Secretary



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of the Secretary

January 19, 2023

Eva M. Mayorga
Bakersfield, California

Re: *In the Matter of Credit Karma, LLC*, Matter No. 202 3138

We would like to thank you for commenting on the Federal Trade Commission's ("Commission" or "FTC") proposed consent order in the above-referenced proceeding. The Commission has placed your comment on the public record pursuant to Rule 4.9(b)(6)(ii) of the agency's Rules of Practice, 16 C.F.R. §4.9(b)(6)(ii). The Commission is committed to protecting consumers in the credit marketplace from deceptive practices, including the use of "dark patterns" to mislead consumers, so we greatly appreciate your feedback.

The complaint in this matter alleges that Credit Karma misrepresented that consumers had been "pre-approved" for third-party financial products, such as credit cards. Despite these preapproval claims, financial product companies had not already approved these consumers. In fact, as alleged in the complaint, for many of these offers, almost a third of consumers who applied were subsequently denied based on the financial product companies' underwriting review. The complaint further alleges that Credit Karma knew that its prominent pre-approval claims conveyed false "certainty" to consumers (based on the results of experiments known as A/B testing) and employed them deliberately to influence consumers' behavior. In fact, to the extent the company revealed that consumers' approval was anything less than certain, it allegedly did so by making additional false claims that consumers' likelihood of approval was 90%, or by using buried disclaimers.

The proposed order would prohibit Credit Karma from making misleading or unsubstantiated claims about approval, including pre-approval, as well as about a consumer's odds or likelihood of being approved. Further, the proposed order would require Credit Karma to pay \$3 million in monetary relief – to be sent to consumers who wasted time applying for the offers described in the complaint. Additionally, to help prevent future use of deceptive dark patterns, the order would require Credit Karma to preserve records of any market, behavioral, or psychological research, or user, customer, or usability testing, including any A/B testing.

In your comment, you appear to ask about the accuracy of credit score information you received from Credit Karma. To ensure that credit report information is accurate, complete, and up-to-date, the Commission recommends that consumers check their credit reports from the three nationwide credit bureaus at least once a year. You are entitled to a free copy of your credit report every 12 months from each of the three nationwide credit bureaus. Additionally, through

December 2023, everyone in the U.S. can get a free credit report each week from all three nationwide credit bureaus. You can order your credit reports for free by visiting AnnualCreditReport.com, calling 1-877-322-8228, or completing the [Annual Credit Report Request Form](#) and mailing it to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. We would also encourage you to visit [this FTC website](#) for more detailed information on how to obtain and monitor your credit report, as well as how to dispute potential mistakes.

Having considered all the facts of this case and all of the comments submitted in response to the proposed consent order, the Commission has now determined that the public interest would best be served by issuing the Complaint and the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. The Commission thanks you again for your comment.

By direction of the Commission.

April J. Tabor
Secretary



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of the Secretary

January 19, 2023

Trevor Hudock

Re: *In the Matter of Credit Karma, LLC*, Matter No. 202 3138

We would like to thank you for commenting on the Federal Trade Commission's ("Commission" or "FTC") proposed consent order in the above-referenced proceeding. The Commission has placed your comment on the public record pursuant to Rule 4.9(b)(6)(ii) of the agency's Rules of Practice, 16 C.F.R. §4.9(b)(6)(ii). The Commission is committed to protecting consumers in the credit marketplace from deceptive practices, including the use of "dark patterns" to mislead consumers, so we greatly appreciate your feedback.

The complaint in this matter alleges that Credit Karma misrepresented that consumers had been "pre-approved" for third-party financial products, such as credit cards. Despite these preapproval claims, financial product companies had not already approved these consumers. In fact, as alleged in the complaint, for many of these offers, almost a third of consumers who applied were subsequently denied based on the financial product companies' underwriting review. The complaint further alleges that Credit Karma knew that its prominent pre-approval claims conveyed false "certainty" to consumers (based on the results of experiments known as A/B testing) and employed them deliberately to influence consumers' behavior. In fact, to the extent the company revealed that consumers' approval was anything less than certain, it allegedly did so by making additional false claims that consumers' likelihood of approval was 90%, or by using buried disclaimers.

The proposed order would prohibit Credit Karma from making misleading or unsubstantiated claims about approval, including pre-approval, as well as about a consumer's odds or likelihood of being approved. Further, the proposed order would require Credit Karma to pay \$3 million in monetary relief – to be sent to consumers who wasted time applying for the offers described in the complaint. Additionally, to help prevent future use of deceptive dark patterns, the order would require Credit Karma to preserve records of any market, behavioral, or psychological research, or user, customer, or usability testing, including any A/B testing.

In your comment, you state that, in your personal experience, you do not find the pre-approval claims at issue in this case to be misleading, because you expect that you could be denied when you apply for such offers. Under the FTC Act, however, companies are responsible for every reasonable interpretation of their claims. Our proposed complaint alleges that when Credit Karma told consumers they were "pre-approved," not only was this claim likely to

mislead reasonable consumers, but that it did, in fact, mislead many consumers. Worse yet, the complaint alleges that the company knew that these claims conveyed false “certainty” to consumers, and that it deliberately used these deceptive claims to influence consumers’ behavior. Therefore, the Commission’s action is appropriate to stop the unlawful conduct alleged in this case.

Having considered all the facts of this case and all of the comments submitted in response to the proposed consent order, the Commission has now determined that the public interest would best be served by issuing the Complaint and the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission’s website at <http://www.ftc.gov>. The Commission thanks you again for your comment.

By direction of the Commission.

April J. Tabor
Secretary



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of the Secretary

January 19, 2023

Stacy Nicotra
Pachogue, New York

Re: *In the Matter of Credit Karma, LLC*, Matter No. 202 3138

We would like to thank you for commenting on the Federal Trade Commission's ("Commission" or "FTC") proposed consent order in the above-referenced proceeding. The Commission has placed your comment on the public record pursuant to Rule 4.9(b)(6)(ii) of the agency's Rules of Practice, 16 C.F.R. §4.9(b)(6)(ii). The Commission is committed to protecting consumers in the credit marketplace from deceptive practices, including the use of "dark patterns" to mislead consumers, so we greatly appreciate your feedback.

The complaint in this matter alleges that Credit Karma misrepresented that consumers had been "pre-approved" for third-party financial products, such as credit cards. Despite these preapproval claims, financial product companies had not already approved these consumers. In fact, as alleged in the complaint, for many of these offers, almost a third of consumers who applied were subsequently denied based on the financial product companies' underwriting review. The complaint further alleges that Credit Karma knew that its prominent pre-approval claims conveyed false "certainty" to consumers (based on the results of experiments known as A/B testing) and employed them deliberately to influence consumers' behavior. In fact, to the extent the company revealed that consumers' approval was anything less than certain, it allegedly did so by making additional false claims that consumers' likelihood of approval was 90%, or by using buried disclaimers.

The proposed order would prohibit Credit Karma from making misleading or unsubstantiated claims about approval, including pre-approval, as well as about a consumer's odds or likelihood of being approved. Further, the proposed order would require Credit Karma to pay \$3 million in monetary relief – to be sent to consumers who wasted time applying for the offers described in the complaint. Additionally, to help prevent future use of deceptive dark patterns, the order would require Credit Karma to preserve records of any market, behavioral, or psychological research, or user, customer, or usability testing, including any A/B testing.

In your comment, you express concern that this action "end[s]" in April 2021, and does not include loans. The action does not end in April 2021. The proposed complaint alleges that Credit Karma made deceptive claims through at least April 2021, and the proposed order would prohibit Credit Karma from making any deceptive approval-related claims about credit as well as most loans for a period of twenty years.

We have added your comment to our agency's complaint database, which assists us in tracking complaints and making informed law enforcement decisions, as well as identifying consumers who are potentially eligible for monetary relief. Further, if you have any additional information regarding these practices, we would encourage you to submit a complaint to the Commission at our website, reportfraud.ftc.gov, or by calling our Consumer Response Center at (877) 382-4357.

Having considered all the facts of this case and all of the comments submitted in response to the proposed consent order, the Commission has now determined that the public interest would best be served by issuing the Complaint and the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. The Commission thanks you again for your comment.

By direction of the Commission.

April J. Tabor
Secretary