

Enforcement Alert from Hudson Cook, LLP: CFPB Announces \$2.7 Million Fine Against Consumer Budget-Management Fintech Company

August 11, 2022 | [Michael A. Goodman](#) and [Robert D. Tilley](#)

HIGHLIGHTS:

- CFPB fined the Fintech Company \$2.7 million and ordered that it make at least \$68,145 in consumer redress for overdraft fees and other costs incurred by consumers.
- The Fintech Company neither admitted nor denied the allegations, but consented to the entry of an injunction and a number of additional remedial measures, including submitting a comprehensive compliance plan to the CFPB for approval.
- Director Chopra linked this action to his recent emphasis on scrutinizing algorithms that drive corporate decisions in consumer finance, saying "[c]ompanies have long been held to account when they engage in faulty advertising, and regulators must do the same when it comes to faulty algorithms."

CASE SUMMARY:

On August 10, 2022, the CFPB issued an administrative consent order against an online consumer budget-management fintech company (the "Fintech Company") for violating the deceptive acts prohibition of the Consumer Financial Protection Act of 2010 (the "CFPA"). The Bureau alleges that the Fintech Company deceptively marketed its auto-saving product, which used an algorithm to transfer money from the consumer's checking account into a savings fund for goals set by the consumer. The Fintech Company told consumers that its algorithm would save the "perfect amount" based on the individual's current finances, and it promised consumers would not incur overdraft fees. However, the CFPB alleged that the Fintech Company was aware that the algorithm sometimes relied on stale or inaccurate information and that 1-2% of its users incurred overdrafts as a result of the service. Further, the Fintech Company promised to reimburse all overdraft fees, but the CFPB alleged that the company often denied reimbursement requests. Finally, the CFPB alleged that the Fintech Company inappropriately kept a "significant amount" of the interest earned on consumers' funds, despite representations to the contrary.

The Fintech Company did not admit these allegations, but to resolve the matter it agreed to the entry of a five-year consent decree that includes a \$2.7 million civil monetary penalty, at least \$68,145 in consumer redress, and a number of remedial measures.

RESOURCES:

You can review all of the relevant court filings and press releases at the [CFPB's Enforcement page](#).

- [Stipulation](#)
- [Consent Order](#)
- [CFPB Press Release](#)

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