

CFPB Bites of the Month - 2023 Annual Review - Biggest Fines and Penalties

January 25, 2024 | [Eric L. Johnson](#), [Justin B. Hosie](#) and [Laura J. Bacon](#)

In this article, we share a list of the top 10 biggest fines and penalties from our monthly bites for 2023.

Bite 10: CFPB Orders Installment Lender to Pay \$20 Million

On May 31, 2023, the CFPB ordered an installment lender to pay \$20 million for alleged deceptive sales practices. According to the CFPB's claims, the lender expected its employees to upsell add-on products to borrowers on every loan, and incentivized employees to push more add-on products, even when consumers had already declined the products on previous loans. Allegedly, salespeople could be fired for failing to sell enough add-on products. The CFPB also claims that the lender failed to refund interest charged to 25,000 consumers within a "full refund period" and deceived borrowers about their need to purchase add-on products to receive a loan. The lender will pay \$10 million to consumers and an additional \$10 million penalty to the CFPB's civil penalty fund. The CFPB will also require the lender to adjust its policies to make cancellation of add-on products easier, double the period in which a consumer can cancel an unused add-on product without cost (from 30 to 60 days), and include interest in refunds after add-on product cancellations at any time.

Bite 9: CFPB and FTC Require Rental Screening Organization to Pay \$23 Million

On October 12, 2023, the CFPB and the FTC announced actions against a rental screening organization, for violations of the Fair Credit Reporting Act. The CFPB and FTC have alleged that the subsidiary failed to take steps to ensure the rental background checks were accurate and withheld the names of third parties providing information from renters. Together, the agencies have requested that a federal court order the company to pay \$15 million and make changes to how it reports evictions. The CFPB separately ordered the organization to pay \$8 million for allegedly lying to consumers about security freezes and locks on the credit reports. According to the CFPB, the organization told consumers the requests were completed when they were actually placed into a years-long backlog. The joint action by the CFPB and the FTC against the rental screening subsidiary included allegations that the company failed to take steps to produce accurate reports, including failing to share updated information that evictions had been dismissed, and permitting the inclusion of sealed records and multiple entries about the same case. The organization also allegedly failed to identify who provided inaccurate information, leaving tenants unable to contact the provider to correct the inaccuracies. If entered by the court, the organization will pay \$11 million to harmed consumers along with a \$4 million penalty into the CFPB civil penalty fund.

Bite 8: CFPB Orders Debt Collector to Pay More Than \$24 Million Related to Debt Collection and

Consumer Reporting

On March 23, 2023, the CFPB ordered a debt collector to pay more than \$24 million for allegedly violating a 2015 CFPB order, divided evenly between consumer restitution and a civil penalty to be deposited into the CFPB's victims relief fund. The CFPB claims the collector collected unsubstantiated debt, failed to provide required documentation and disclosures, sued or threatened to sue without the required documentation, and sued consumers after the statute of limitations had passed. In addition, the CFPB claimed the collector violated the Fair Credit Reporting Act by failing to inform consumers about investigation outcomes, failing to timely resolve disputes, and conducting unreasonable investigations. The 2015 order required the debt collector to pay more than \$27 million in consumer refunds and penalties for allegedly unlawful debt collection activities. The CFPB's new proposed order will require the debt collector to pay \$12 million to consumers and an additional \$12 million to the CFPB's civil penalty fund, improve operations, and fix alleged failures to respond to consumers.

Bite 7: CFPB Penalizes Payment Firm \$25 Million

On June 27, 2023, the CFPB issued an order claiming that a payment processor improperly initiated approximately \$2.3 billion in unlawful mortgage payment transactions, which could have subjected up to 500,000 homeowners to overdraft and NSF fees from their financial institutions. In April of 2021, the payment firm had conducted tests of its platform, but allegedly sent several files filled with actual customer data into the ACH network, accidentally initiating approximately \$2.3 billion in electronic payment transactions from homeowners' accounts without notice or authorization. At one bank, for example, more than 60,000 accounts reportedly experienced more than \$330 million in combined unlawful debits. Among these account holders, approximately 7,300 had their available balances reduced by more than \$10,000. The CFPB claims that these actions violated Regulation E, and in addition to a \$25 million penalty, the CFPB required the company to change its security and testing practices so that it does not happen again.

Bite 6: CFPB Orders Large Bank to Pay \$25.9 Million for Discrimination

On November 8, 2023, the CFPB announced that a large bank would pay \$25.9 million in fines and redress for violating the ECOA by allegedly discriminating against Armenian Americans. From 2015 through 2021, the bank was alleged to have targeted applicants with surnames that employees associated with Armenian national origin as well as applicants in or around Glendale, California because the bank allegedly stereotyped this group as being likely to commit crime and fraud. The bank specifically targeted surnames ending in "-ian" and "-yan," and Glendale, which is home to approximately 15% of the Armenian American population in the United States. According to the CFPB, supervisors at the bank conspired to hide the discrimination by instructing employees not to discuss the discriminatory practices in writing or on recorded phone lines, and employees lied about the basis of denial, providing false reasons to denied applicants. The CFPB also asserted that the bank denied Armenian American consumers outright, requiring additional information or placing a block on the account. The bank was required to pay \$1.4 million to affected consumers and a \$24.5 million fine to the civil penalty fund.

Bite 5: CFPB Enters \$35.6 Million Settlement with a Leasing Company

On September 11, 2023, the CFPB and 41 states, plus the District of Columbia settled an action involving a leasing company, requiring payment of \$36 million in penalties and relief. The CFPB had

alleged that the company tricked consumers into expensive leasing agreements by concealing the contract terms and costs, as well as failing to provide legally required disclosures. The CFPB alleged that in addition to concealing the terms of the lease agreements and failing to provide the disclosures required by Regulation M, the company trapped consumers with unreasonable return practices. The CFPB's order required the company to release consumers from existing agreements, which represented approximately \$33.6 million in released payments, pay an additional \$2 million penalty to the civil penalty fund and settling states, and permanently cease leasing activities.

Bite 4: CFPB and OCC Penalize Large Bank \$35.7 Million

On December 19, 2023, the CFPB and OCC announced an action against a large bank. The CFPB claimed that the bank kept consumers from accessing their unemployment benefits. The bank allegedly froze tens of thousands of accounts without providing the customers with a reliable and quick way to regain access and failed to provide provisional account credits while investigating potentially unauthorized transfers. These alleged actions happened during the pandemic, while the bank had contracts with at least 19 states to deliver unemployment benefits. The consumers whose accounts were frozen lost access to their benefits until they were able to verify their identities to unfreeze their accounts, but the bank allegedly did not have a system in place for the identity verification. According to federal law, when accountholders report unauthorized transfers, banks must provide provisional account credits if their investigations take more than 10 days, and the CFPB and OCC alleged that this bank failed to provide those credits. The CFPB required the bank to pay \$5.7 million to consumers, a \$15 million penalty to the civil penalty fund, and change its practices regarding limiting account access and issuing provisional credits. The OCC also separately fined the bank an additional \$15 million.

Bite 3: CFPB Orders Auto Finance Company to Pay \$60 Million

On November 20, 2023, the CFPB announced that it ordered one of the nation's largest indirect auto companies to pay \$48 million in redress to harmed consumers and a \$12 million penalty to the civil penalty fund. The order follows allegations that the company prevented borrowers from cancelling products sold with the vehicle, failed to provide proper refunds, and reported incorrect information to credit bureaus. The product included GAP waivers, credit life and health insurance, and extended service contracts, which cost between \$700-\$2,500 per transaction. According to the CFPB, thousands of consumers complained to the auto finance company that their dealers had lied to them about whether these products were mandatory, included them on contracts without the borrowers' knowledge, or rushed through paperwork to hide buried terms. The CFPB says that despite these complaints, the company made it difficult to cancel these products and failed to fully refund those consumers who were able to cancel. The CFPB alleged that the company directed consumers to a cancellation hotline that would not accept a cancellation request, delayed refunds by applying the amounts to principal payments, withheld refunds, and furnished false data about delinquent payments to consumer reporting companies. In addition to the monetary penalties, the CFPB ordered the Company to cease such practices.

Bite 2: CFPB and OCC Impose \$90 Million in Penalties Against Large National Bank

On July 11, 2023, both the CFPB and the Comptroller of the Currency (OCC) took action against a large national bank, ordering payment of more than \$100 million to customers and \$150 million in penalties. The CFPB alleged the bank was "double-dipping" on fees, withholding credit card rewards, and opening accounts without authorization. The OCC also claimed that the bank's fee practices were illegal. The

agencies allege that the bank had a policy of charging customers \$35 for insufficient funds and allowed these fees to be repeatedly charged for the same transaction. The CFPB also claims that the bank withheld promised credit card account bonuses, such as cash rewards or bonus points, to tens of thousands of consumers, and denied sign-up bonuses due to system failures. The bank also allegedly opened credit card accounts without consumers' knowledge and obtained credit reports to do so. As a result, the agencies required the bank to stop repeat offenses, pay redress to consumers, pay a \$60 million penalty to the OCC, and pay a \$30 million penalty to the CFPB.

Bite 1: CFPB Announces \$2.7 Billion Settlement with Credit Repair Conglomerate

On August 28, 2023, the CFPB announced a \$2.7 billion settlement agreement with a group of credit repair providers. The settlement followed a court ruling in March of 2023 that the entities violated federal law by collecting illegal advance fees for credit repair services through telemarketing. Following the ruling, the companies filed for Chapter 11 bankruptcy protection and represented that they have shut down about 80% of their business. Besides paying a \$2.7 billion dollar judgment, the CFPB also banned the companies from telemarketing credit repair services for 10 years. The CFPB required the companies to send a notice of the settlement to any remaining enrolled customers about the case and about canceling the service.

Also note there were at least 10 significant fines below the \$20 million amount reflected as the lowest amount in Bite #10 above. So, several smaller companies also paid fines that were significant amounts for them in 2023. We expect that trend to continue in 2024, with the CFPB pursuing larger companies with larger fines, and numerous smaller companies with commensurate fines as well.

Still hungry? Please join us for our next CFPB Bites of the Month. Here is our [lineup](#) for 2024. If you missed any of our prior Bites, [request a replay](#) on our website.

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410.684.3200

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