

CFPB Fines Very Large Bank \$10 Million for Allegedly Unlawful Garnishments

May 4, 2022 | [Lucy E. Morris](#) and [Francis Conlon](#)

Highlights:

- One of the nation's largest banks agreed to entry of a consent order to settle CFPB allegations that the bank unlawfully froze customer accounts, charged them garnishment fees, and turned over funds to creditors based on out-of-state garnishment orders that should have been processed under the laws of the states where the customers resided.
- The bank neither admitted nor denied the allegations, but to settle the matter it agreed to review and implement procedures to comply with relevant garnishment laws, refund garnishment-related fees, and pay a \$10 million civil penalty.
- The \$10 million penalty far exceeds the alleged consumer harm of \$592,000 in garnishment fees affecting 3,700 out-of-state accounts.

Case summary

On May 4, 2022, the CFPB announced a consent order against a large bank, resolving CFPB allegations that the bank unlawfully processed thousands of garnishment orders against out-of-state bank accounts in violation of the Consumer Financial Protection Act.

Bank account garnishments are governed by state law, which generally includes a legal process through which a creditor can effect a hold on and later seizure of funds from the debtor's bank account to enforce a civil judgment against the debtor. To legally garnish a bank account, the state court issuing the garnishment order must have jurisdiction over the garnishee and the property that creditor seeks to garnish. Some states prohibit the garnishment of accounts located in a state other than the issuing state.

The CFPB alleged that between August 2011 to March 2022, the bank failed to follow state-specific procedures for handling garnishment notices and processed all notices the same, implementing a freeze or hold on the customer's account, regardless of whether the account was located outside of the issuing state. By applying the garnishment laws of the issuing state instead of those of the state where the customer lived, said the CFPB, the bank also impliedly misrepresented to customers the applicable state rights for garnishment. In addition, the CFPB alleged that the bank unlawfully used deposit agreements that required customers to direct the bank not to challenge garnishment orders and waive the bank's liability for its actions regarding out-of-state garnishment notices. Director Chopra characterized these agreement clauses as "unenforceable" and "an attempt to strip legal rights from

families."

Without admitting or denying these allegations, to resolve the matter, the bank agreed to the entry of the five-year consent order that includes provisions requiring the bank to review and make changes to its systems for processing garnishment notices and to cease using clauses in customer agreements that purport to limit customers' rights to contest garnishments. In addition, the bank agreed to refund at least \$592,000 in garnishment fees to affected customers and to pay a civil penalty of \$10 million to the CFPB.

RESOURCES:

You can review all the relevant court filings and press releases at the CFPB's Enforcement page.

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

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410.684.3200

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