

CFS Bites of the Month - 2025 Annual Review - Fintech

January 13, 2026 | [Catherine M. "Cathy" Brennan](#), [Eric L. Johnson](#), [Justin B. Hosie](#) and [Kristen Yarows](#)

In this article, we share a timeline of monthly "bites" for the past year applicable to fintech. Although we can identify numerous developments in the space in 2025, the most prominent development is the "all systems go" approach many fintechs have adopted this year in the wake of relaxed regulation and enforcement at the federal level. Whether this development will unleash a roaring economy or result in an economic meltdown remains to be seen.

CFPB Sues Banks and Peer-to-Peer Payment Network

On December 20, 2024, the CFPB sued the operator of a peer-to-peer payment network and three of its owner national banks for allegedly failing to protect consumers from fraud on network. The CFPB alleged that the defendants rushed the peer-to-peer payment network to market to compete against other payment apps without implementing effective consumer safeguards to protect against fraud. The CFPB claimed that customers lost more than \$870 million over the network's 7-year existence due to these safeguards failures. The CFPB alleged that the defendants violated the Consumer Financial Protection Act's prohibition on unfairness by allegedly failing to take timely, appropriate, and effective measures to prevent, detect, limit, and address fraud on the peer-to-peer payment network. The CFPB claimed they received hundreds of thousands of fraud complaints. The CFPB also alleged that the three banks violated the Electronic Fund Transfer Act and Regulation E for failing to conduct reasonable investigations of consumer error notices, and for failing to treat incorrect and unauthorized transfers as errors under the law. The CFPB sought to halt unlawful conduct, obtain consumer redress, and obtain a civil money penalty. The lawsuit, filed in the federal court in Arizona, is pending.

CFPB Sues Multinational Corporation and FinTech Company

On December 23, 2024, the CFPB sued a multinational retail corporation and its partner fintech claiming that it forced its delivery drivers to use costly deposit accounts to receive payment and misled workers about the availability account access. T The CFPB alleged that starting in June 2021, the defendants violated federal law by opening accounts for new drivers by using the drivers' information without getting the drivers' consent; depositing drivers' pay into an account without authorization and forcing the driver to use these accounts; charging drivers more than \$10 million in junk fees to the fintech to instantly transfer their earnings to an account of their choice; and misrepresenting to drivers that the accounts would give them "instant access" to pay as well as their ability to stop payments or make certain transfers using the accounts. The CFPB action sought to stop unlawful conduct, provide consumer redress, and impose a civil money penalty. The Trump CFPB dismissed the lawsuit.

CFPB Releases Buy Now, Pay Later Study

On January 13, 2025, the CFPB under Rohit Chopra released a study addressing the buy-now-pay-later ("BNPL") industry. According to the CFPB study, more than 20% of consumers with credit cards used BNPL in 2022. The CFPB described BNPL as a type of deferred payment option that allows the consumer to split a purchase into smaller payments. The CFPB matched transaction information it received with consumer credit records to study the prevalence of BNPL use in 2022. Among consumers with a credit record, 21.2% financed at least one purchase with a BNPL transaction. Approximately 63% of borrowers originated multiple simultaneous transactions at some point during the year and 33% took out transactions from multiple BNPL providers. Among the applicants with subprime or deep subprime credit scores, BNPL providers approved 78% of transactions in 2022. BNPL consumers were more likely to hold higher balances on other credit accounts. Among BNPL consumers ages 18-24, BNPL purchases made up 28% of total unsecured consumer transactions compared to an average of 17% among consumers of all age groups, during the months in which they entered transactions. Although this study still appears on the CFPB's website, it is not likely that the Trump CFPB will concern itself with this Chopra-era effort.

CFPB Takes Action Against Peer-to-Peer Payment App

On January 16, 2025, the CFPB announced a consent order with a peer-to-peer payment app, claiming it failed to address fraud. The consent order resolved alleged violations of the CFPA, EFTA, and Regulation E. The CFPB claimed that the Company committed unfairness in violation of the CFPA by failing to provide effective consumer service and failing to address fraud on the platform. The CFPB also claimed that the Company's terms of service led consumers to believe that disputes must be addressed by the consumer's bank and not the Company, when the EFTA required the platform to investigate disputed unauthorized transactions. The consent order requires the Company to pay refunds ranging between a minimum of \$75 million up to \$120 million along with other redress to consumers. The consent order also requires the company to pay a \$55 million penalty and create a 24-hour, live consumer service line.

CFPB Takes Action Against Fintech over ATM Disclosures

On January 30, 2025, the CFPB settled violations of the CFPA and Electronic Funds Transfer Act ("EFTA") with a fintech. The CFPB alleged that the company engaged in deception by misrepresenting ATM withdrawal fees and failing to provide accurate disclosures. The CFPB alleged that the company led consumers to believe they would experience lower ATM fees than the company charged. According to the CFPB, thousands of consumers were overcharged approximately \$156,000 in ATM fees. The CFPB alleged that the company also lacked sufficient internal policies and procedures to ensure compliance with federal remittance and prepaid account rules, leading to systemic compliance failures. The CFPB alleged that the company charged consumers more than \$130,000 in excessive fees for consumers who held over 15,000 Euros in their prepaid accounts. The consent order required the company to implement compliance measures, pay \$450,000 in consumer redress, and pay a \$2.025 million civil penalty.

FDIC Withdraws from Colorado DIDMCA Case

On February 24, 2025, the FDIC withdrew an amicus brief that the Biden administration filed in support of a Colorado state law that allows state authorities to cap interest on loans taken out by its residents from out-of-state lenders. Trade groups sued over the state law that opts Colorado out of a clause in the Depository Institutions Deregulation and Monetary Control Act ("DIDMCA") that permits

state-chartered banks to charge interest rates set by their home state when lending across state lines. In the FDIC's now-rescinded April 2024 amicus brief, it asserted that a loan is "made" in a state if either the borrower or lender enters into the transactions from the confines of the state borders. The FDIC also previously argued that if a Colorado borrower finalized a loan while physically present in Colorado, the loan falls under Colorado's opt-out law. In June 2024, the district court sided with the trade groups, ruling that a loan is made where the lender performs its loan-making functions rather than where the borrower is located. The state defendants appealed and won a reversal in the U.S. Court of Appeals for the Tenth Circuit in November; the trade associates have since asked the entire circuit court to reconsider the matter, buoyed by an amicus brief by the Trump administration.

CFPB Announces It Will Rescind BNPL Guidance

On March 26, 2025, the CFPB decided to rescind guidance that applied federal credit card rules to BNPL products. In a lawsuit brought by the Financial Technology Association against the CFPB over the Chopra-era proposal, the parties issued a joint status report asking the judge to stay the litigation since the case will soon be moot. The joint status report said, "(t)he Bureau is planning to revoke the Interpretive Rule." The CFPB issued the interpretive rule in May 2024, and it laid out the CFPB's view that BNPL firms qualified as credit card providers under the Truth in Lending Act. The Financial Technology Association filed a lawsuit in October 2024 to strike down the rule, arguing that it violated the Administrative Procedure Act and that it was arbitrary and capricious. The CFPB withdrew the rule in June 2025.

FTC Takes Action Against Online Cash Advance Company

On March 27, 2025, the FTC settled allegations against an online cash advance company's actions in misleading consumers over how quickly they would receive funds and the amount of money available to consumers. The FTC asserted that the company's advertisements promised consumers hundreds of dollars in cash advances, but that almost no one received close to the advertised amount. The complaint also claimed that the company advertised same-day or instant advances, but consumers had to pay an additional fee to access the service. The complaint also alleged that the company made it challenging for consumers to cancel their subscriptions and were told they couldn't cancel the subscription until they paid for outstanding cash advances. The proposed order required the company to pay \$17 million that would be used to provide refunds to consumers. The order also prohibited the company from misleading consumers about any material terms of its advances and required the company to clearly and conspicuously disclose the terms of any subscription. The company also agreed to obtain the consumers' express, informed consent before charging them for a subscription and to provide a simple way for consumer to cancel. The Commission voted 2-0 to authorize the staff to file the complaint and stipulated order.

CFPB Announces it Won't Prioritize BNPL Enforcement

On May 6, 2025, the CFPB announced that it will not prioritize enforcement actions taken on the basis of its BNPL interpretive rule. The CFPB wrote that it will, "instead keep its enforcement and supervision resources focused on pressing threats to consumers, particularly servicemen and veterans." The CFPB also reiterated its plan to rescind the BNPL interpretive rule, which it did in June. Demonstrating its commitment to deprioritization of these cases, on August 19, 2025, a fintech announced that the CFPB closed its investigation of the company's outdoor recreation and firearms-focused BNPL subsidiary that had originally started under the previous administration. The announcement said that the CFPB

"determined that this investigation exemplifies the type of weaponization against disfavored industries and individuals that President Trump and Acting Director Vought are committed to ending." The company also said that the investigation was conducted in a biased manner that targeted the company's "exercise of its constitutional rights and facilitation of others' exercise of their constitutional rights." According to the company, the "investigation was not aimed at protecting consumers, but at suppressing activities protected by the First and Second Amendment." Likewise, the company also said that this "investigation also represents precisely the kind of unconstitutional targeting that President Trump prohibited in his Executive Order on debanking."

New York AG Takes Action Against Two Earned Wage Access Companies for Alleged Payday Loans

On April 14, 2025, the New York Attorney General sued two earned wage access companies, alleging they make payday loans, use deceptive advertising, and that their charges are usurious interest. The New York Attorney General alleged that one company advertised interest-free advances and financial benefits, while collecting fees on approximately 90% of its transactions. The New York Attorney General alleged that one of the companies asks for tips on top of its fees and sets an artificial limit of \$100 per transaction, forcing workers to take out repeat transactions and pay additional fees to receive the \$500 that the company promises in its advertisements. The New York Attorney General claimed that the other company contractually requires employers to send their workers' paycheck directly to the company, in violation of New York's prohibition on wage assignment. The lawsuits alleged violations of New York law as well as deceptive and abusive conduct in violation of the Consumer Financial Protection Act. The lawsuits, which are pending, seek to end both companies' practices in New York, obtain restitution, and impose civil penalties and costs.

4th Circuit Rejects Arbitration Agreement by Operator

On May 30, 2025, the U.S. Court of Appeals for the Fourth Circuit held that a fintech operating a mobile cash advance app could not enforce a consumer's arbitration agreement with the third-party advance provider. The consumer sued the fintech individually and on behalf of a class, alleging that it violated the Maryland Consumer Loan law, the Truth in Lending Act, the Electronic Funds Transfer Act, and the Maryland Consumer Protection Act. The fintech moved to compel arbitration of the claims pursuant to an arbitration agreement in the advance provider's terms of service. The trial court concluded that the fintech was not entitled to enforce the advance provider's arbitration agreement, and the appellate court affirmed the trial court's decision. The appellate court concluded that the consumer's claims against the fintech did not rely on the advance provider's terms of service with the consumer, which contained the arbitration provision. The appellate court concluded that the consumer's claims did not allege substantially interdependent and concerted misconduct by both the fintech and the advance provider. According to the court, the consumer did not allege misconduct by the advance provider.

CFPB Considers Civil Penalty Fund for Fintech Collapse Victims

On June 23, it was reported that the CFPB was considering using its civil penalty fund to refund customers who lost money as a result of a fintech's collapse last year. The Silicon Valley fintech connected other fintechs with banks and provided ledgers to track transactions. The company went bankrupt, and the bankruptcy trustee found that up to \$95 million of consumer funds were missing. The CFPB filed a statement of interest in the company's bankruptcy proceeding on June 20, 2025. The statement of interest advocated for the company's Chapter 11 bankruptcy to be converted to Chapter 7

rather than being dismissed. The CFPB advocated for a Chapter 7 liquidation because it would allow for a more efficient resolution, enable enforcement actions against the estate, and open the door for consumer relief through the civil penalty fund. In December, it was reported that the CFPB will distribute just over \$46 million to thousands of people who were not able to access their money since the failure of the fintech last year, around half of what was estimated to be locked up in bank accounts.

FTC Resolves Case with Crypto CEO

On June 27, 2025, the FTC settled a lawsuit with a cryptocurrency company's CEO. The FTC sued the cryptocurrency company and the CEO in October 2023, alleging that they falsely promised that the consumer's deposits were FDIC-insured. According to the FTC's complaint, the company's customers lost more than \$1 billion in cryptocurrency when the company failed. The complaint also alleged that when the company failed, it blocked consumers from accessing their assets for over a month. The FTC reached a settlement with the company back in November 2023. The proposed settlement with the CEO required him to pay \$2.8 million and prohibits him from marketing or selling crypto, among other restrictions.

Legislation Introduced on AI in Financial Services

In July, House Financial Services Committee Chairman French Hill (R-AR), alongside other Representatives and Senators, introduced *H.R. 4801, the Unleashing AI Innovation in Financial Services Act*. The legislation promotes artificial intelligence in financial services through regulatory sandboxes for AI test projects at federal financial regulatory agencies. The regulatory sandboxes (or AI innovation labs) would allow regulated entities to apply for controlled testing environments to develop and experiment with artificial intelligence applications under government oversight. Entities would be required to apply through their primary regulator and demonstrate that their AI projects promote the public interest, improve efficiency or competitiveness, and do not pose a systemic risk to the financial system. The bill has been languishing in the House Committee on Financial Services since July.

NY AG Takes Action over Peer-to-Peer Company

On August 13, 2025, the New York Attorney General sued the parent company of a peer-to-peer payments platform owned and controlled by a group of large national banks. The lawsuit alleged that the app's focus on fast and irreversible transfers left consumers susceptible to fraud and allegedly has allowed scammers to obtain over \$1 billion in user funds from 2017 through 2023. The New York Attorney General alleged that the company rushed to get the platform to market, failed to implement safeguards, and failed to take action to stop fraud on the platform. The lawsuit further alleged that the company lacked safeguards to prevent scammers from using misleading email addresses, such as those associated with trusted businesses or government entities. The CFPB filed a similar lawsuit discussed above in December of 2024 but dropped the lawsuit in March of 2025. The New York AG seeks restitution and damages for affected New Yorkers, as well as a court order for the company to implement and maintain anti-fraud measures. The lawsuit is pending.

CFPB Takes Action Against Fintech Bank Partner

On August 21, 2025, the CFPB commenced an adversary proceeding and filed a complaint and proposed stipulated final judgment in connection with Chapter 11 bankruptcy proceedings for a fintech serving as a service provider for other fintechs and their bank partners. This entity provided certain services including advertising, deposit account maintenance, offering debit cards and services, bill

payment, and funds transfers. The CFPB alleged that the fintech engaged in unfair acts or practices in violation of the Consumer Financial Protection Act for failing to properly maintain records of consumer funds held at partner banks and that the fintech's records did not align with the records maintained by the banks, with a shortfall estimated at between \$60 and \$90 million. The alleged discrepancies were discovered during initial bankruptcy proceedings against the fintech resulting in partner banks freezing consumer accounts, which prevented some consumers from accessing their accounts for up to eight months. The stipulated final judgment and order would require the fintech to pay a nominal \$1 fine in redress (as a means for the CFPB to access the civil penalty fund); ban the fintech from participating in, assisting with, or receiving any consideration in connection with deposit-taking activities, the transmission of funds, or acting as the custodian of funds. The stipulated final judgment and order would also prevent the fintech from selling customer information. The court entered the final judgment and order on September 12.

FTC Takes Action Against AI Developer

On August 21, 2025, the FTC entered into an order with an AI developer for allegedly deceptively marketing its AI decision tool. The company allegedly falsely marketed its AI content detection tool as predicting with 98% accuracy whether text was created by generative AI programs. The FTC alleged that the company did not substantiate this claim. The final decision and order prohibits the company from making unsubstantiated or misleading claims about the accuracy of AI detection tools unless supported by competent and reliable evidence, including competent and reliable scientific evidence when appropriate. The order also requires the company to notify all current and recent customers about the settlement, submit annual compliance reports for three years, and create and retain compliance-related records for up to ten years. The order is effective for 20 years and subjects the company to ongoing monitoring.

FTC Launches Inquiry into AI Chatbots as Companions

On September 11, 2025, the FTC issued orders to seven companies that provide consumer-facing AI chatbots under its 6(b) authority, which is an investigative tool that allows the FTC to request answers to specific questions about organization, business, conduct, practices, and management. These AI chatbots may use generative AI technology to simulate human-like communication and interpersonal relationships with users including mimicking human characteristics, emotions, and intentions. The FTC seeks to understand what steps, if any, companies have taken to evaluate the safety of their chatbots when acting as companions, to limit the products' use by and potential negative effects on children and teens, and to tell users and parents of the risks associated with the products. The FTC indicated that it is particularly interested in the impact of the chatbots on children, including what actions the companies are taking to mitigate potential negative impacts and compliance with the Children's Online Privacy Protection Act ("COPPA") Rule. The FTC is asking how companies monetize user engagement; develop and approve characters; monitor compliance with company rules and terms of service, including community guidelines and age restrictions; and use or share personal information obtained in conversations.

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