

Enforcement Alert from Hudson Cook: CFPB Fines Wall Street Bank and Big Tech Company for Alleged Violations of the CFPA and TILA in Connection with Credit Card Marketing and Transaction Disputes

October 24, 2024 | [Lucy E. Morris](#) and [Taylor A. Krowitz](#)

HIGHLIGHTS:

- The Consumer Financial Protection Bureau ("CFPB") filed consent orders against a big technology company (the "Tech Company") and its credit card issuing bank partner, a large state-chartered bank (the "Bank"), for alleged violations of the Consumer Financial Protection Act (CFPA) and the Truth in Lending Act (TILA) and its implementing Regulation Z, citing improper and delayed dispute resolution methods and marketing issues.
- The Tech Company must create and implement a comprehensive compliance plan to ensure that its marketing and servicing of the credit card complies with all applicable law and must pay a penalty of \$25 million.
- The Bank must take various steps to ensure compliance with the CFPA, TILA and Regulation Z, and must pay \$19.8 million in redress to consumers and a penalty of \$45 million.
- At least 90 days prior to offering a new credit card, the Bank must provide the Bureau with a compliance plan designed to ensure the card complies with laws enforced by the Bureau. The Bureau's press release describes this compliance plan requirement as a "ban."

CASE SUMMARY:

On October 23, 2024, the CFPB filed two separate consent orders, one against the Tech Company and the other against the Bank, alleging violations of the Consumer Financial Protection Act (CFPA) and the Truth in Lending Act (TILA) and its implementing Regulation Z, with regard to their credit card marketing and servicing practices. The Tech Company partnered with the Bank starting in 2019 to offer a credit card to consumers. The CFPB found that, from 2019 to 2021, the Tech Company unfairly failed to send transaction disputes received on its platform to the Bank and engaged in deceptive and abusive acts and practices by misleading consumers in connection with the marketing of

the credit card. The CFPB also found that the Bank failed to send required notices in connection with dispute resolutions, furnished inaccurate negative information to consumer reporting agencies in connection with disputes, and delayed, or in some instances, failed to conduct reasonable investigations for disputes.

In addition to the allegedly improper dispute resolution methods used by the Tech Company and the Bank, the CFPB challenged their acts and practices in connection with a special payment plan program through the credit card. The credit card program allowed consumers to finance certain of the Tech Company's products through interest-free monthly installments, similar to a Buy Now, Pay Later product. However, the CFPB found that the Tech Company and the Bank, through marketing materials and the payment plan enrollment process, misled consumers to expect to be automatically enrolled in the payment plan, which resulted in consumers being charged interest on the financing of otherwise eligible products purchased under the program.

Under the terms of the Tech Company's consent order, the Tech Company is required to create and implement a comprehensive compliance plan to ensure that its marketing and servicing of the credit card complies with all applicable law and must pay a penalty of \$25 million.

Under the terms of the Bank's consent order, the Bank must pay \$19.8 million in redress to consumers and is subject to a civil penalty of \$45 million. The Bank must also take various steps to ensure compliance with the CFPA, TILA and Regulation Z, including compliance testing and implementing policies and procedures related to the credit card program. Finally, the Bank may not offer a new credit card unless it first provides the CFPB with a comprehensive compliance plan designed to ensure the product complies with laws that the CFPB enforces.

The Tech Company and the Bank neither admit nor deny the findings outlined by the CFPB in their respective orders.

RESOURCES:

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

- **[Tech Company Consent Order](#)**
- **[Bank Consent Order](#)**
- **[CFPB Press Release](#)**

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