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Hudson Cook Enforcement Alert: CFPB Sues Credit Card Issuer and its Owner and CEO for Alleged Deceptive Marketing and Improper Fees

September 17, 2024 | Erik Kosa and Kristen Yarows

HIGHLIGHTS:

- The Consumer Financial Protection Bureau sued a credit card issuer and its owner / CEO for allegedly deceiving consumers into signing up for its membership credit card that only enabled consumers to make purchases from the company's online store.

- In the complaint, the CFPB alleged that the company and its CEO engaged in deceptive acts and practices in violation of the Consumer Financial Protection Act and violated the Truth in Lending Act and its implementing regulation, Regulation Z.

- The complaint seeks damages in the form of injunctive relief, monetary relief, and civil money penalties.

CASE SUMMARY:

On September 13, 2024, the CFPB filed a lawsuit against the company and its owner and CEO, alleging deceptive and abusive acts and practices in violation of the CFPA and violations of TILA and its implementing regulation. The lawsuit alleges that the company and its CEO deceived customers into signing up for its membership card, an unsecured open line of credit typically starting at $500 or $750. According to the allegations in the complaint, the company marketed the membership as a regular credit card, but in reality, the card could only be used to make purchases from the company's online store. According to the complaint, the company charged delivery charges, shipping and handling fees, and processing fees on items purchased at their online store and required that these fees be paid with a separate credit or debit card.

The complaint alleges that the fees totaled approximately 60% of the credit limit. The Bureau alleges that by charging more than 25% of the credit limit during the first year after account opening, the company violated TILA and Regulation Z. The complaint also alleges that the company and its CEO committed abusive acts and practices in violation of the CFPA by falsely promising that consumers could obtain a full refund in "less than a

minute" but by refusing refunds in many instances. The complaint seeks damages in the form of injunctive relief, monetary relief, and civil money penalties.

RESOURCES:

You can review all of the relevant court filings and press releases at the <u>CFPB's Enforcement Page.</u>

- <u>Complaint</u>

- <u>Press Release</u>

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