



Enforcement Alert from Hudson Cook; CFPB Fines National Bank \$9 Million for Improper Handling of Credit Card Billing Error Notices and Claims of Unauthorized Use

May 24th, 2023 | [Erik Kosa](#) and [Michael A. Goodman](#)

HIGHLIGHTS

- The bank must pay a \$9 million civil penalty to the CFPB.
- The bank neither admitted nor denied the allegations but must develop a compliance plan to ensure its credit card account management complies with the Truth in Lending Act and Regulation Z.

CASE SUMMARY

The CFPB settled a lawsuit originally filed in January 2020 against a large national bank, claiming it violated the Truth in Lending Act and its implementing Regulation Z, as well as the Consumer Financial Protection Act, by allegedly failing to investigate and resolve billing error notices and claims of unauthorized use while servicing credit card accounts. The CFPB also alleged the bank failed to properly credit consumer credit card accounts when unauthorized use and billing errors occurred, and failed to provide credit counseling disclosures required by Regulation Z. If a person reports a billing error or fraud regarding a credit card account, the Truth in Lending Act requires the credit card issuer to investigate the allegations, send certain notifications to the individual, and, when claims are valid, refund the error or fraud amount.

Specifically, the Bureau alleged the bank failed to reasonably investigate and resolve billing error notices and claims of unauthorized use of credit cards by automatically denying such claims if they did not include a fraud affidavit, failed to credit consumers' accounts for fees and finance charges resulting from the unauthorized use of credit cards and billing errors, failed to provide consumers with appropriate disclosures of the denial of billing error notices, and failed to disclose required credit counseling information to consumers.

The bank did not admit or deny these allegations. To resolve the lawsuit, it agreed to a five-year consent order requiring the bank to create a compliance plan to ensure its credit card account management complies with the Truth in Lending Act and Regulation Z, as well as pay a \$9 million civil penalty. The bank also agreed to an injunction requiring it to implement policies and procedures to ensure the proper handling of billing error notices and unauthorized use claims, prohibit employees from requiring consumers to complete a fraud affidavit in support of a credit card claim, ensure proper refunds of fees or finance charges are made upon finding any billing error notice or unauthorized use claim to be valid, with such refunds to be calculated from the date

of the error or unauthorized use. The bank further agreed to ensure consumers who call the bank's toll-free number seeking credit counseling are given proper referrals to credit counseling services.

RESOURCES:

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

- [Complaint](#)
- [Proposed Stipulated Final Judgment and Order](#)
- [CFPB Press Release](#)