



Hudson Cook Enforcement Alert: CFPB Takes Action Against Fintech Company for Alleged Withholding of Consumer Refunds

May 8th, 2024 | [Michael A. Goodman](#) and [Mark D. Metrey](#)

HIGHLIGHTS:

- The Consumer Financial Protection Bureau (“CFPB”) issued a Consent Order against a San Francisco-based fintech company (“Company”) that provides checking and savings accounts to consumers for allegedly withholding refunds beyond the 14-day window for closed accounts established in the Company’s agreements with account holders.
- The CFPB mandated that the Company pay \$1.3 million in consumer redress and a \$3.25 million penalty into the victims relief fund.
- The Company must also cease certain challenged practices and improve post-closure refund procedures.

CASE SUMMARY:

On May 7, 2024, the CFPB imposed a total of \$4.6 million in redress and fines on the Company for allegedly withholding account-closure refunds to its consumers for an unreasonable amount of time. The Company offers checking and savings accounts primarily for personal use, held by FDIC-insured partner banks. Despite agreements stating that refund checks for closed accounts would be processed within 14 days, the Company allegedly exceeded this timeframe on multiple occasions, causing what the CFPB alleged as substantial harm to consumers who relied on these funds for essential expenses. The CFPB concluded that the Company’s delays in returning consumer funds constituted an unfair act, violating the Consumer Financial Protection Act.

In response to the findings, the Company and its affiliates were ordered to cease the alleged violations and ensure timely refund processing. Within 60 days, the Company must establish a comprehensive compliance plan to rectify its post-closure refund practices, subject to CFPB review. The Company’s board and executives must oversee compliance efforts and report progress to the CFPB annually. Additionally, the Company must pay a civil money penalty of \$3.25 million to the CFPB’s victims relief fund, with provisions to ensure full compliance and accountability for any defaults on payment obligations.

Furthermore, the Consent order obligates the Company to implement a redress plan, reserving \$1.3 million within 10 days to compensate affected consumers. The plan outlines procedures for identifying and compensating impacted individuals, including mailing redress checks and notices

within specific timeframes. The Company must adhere to strict reporting and recordkeeping requirements to ensure ongoing compliance with the consent order.

RESOURCES:

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

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