



Hudson Cook Enforcement Alert: CFPB Takes Dual Action Against Bank Holding Company for Alleged Unlawful Repossessions and Sales Practices.

July 10th, 2024 | [Michael A. Goodman](#) and [Mark D. Metrey](#)

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HIGHLIGHTS:

- The Consumer Financial Protection Bureau (“CFPB”) issued a Consent Order and Proposed Court Order against a nationally chartered bank (“Company”) that offers financial services including credit cards, mortgages, home equity lines of credit, and auto loans.
- The Consent Order covers the alleged triggering of unlawful repossessions and duplicative or unnecessary vehicle loan insurance requirements and mandates the Company pay a \$5 million penalty into the victims relief fund, pay redress to the 35,000 affected consumers, and cease certain challenged practices related to sales incentives.
- The Proposed Court Order covers the alleged opening of fake bank accounts, and, if granted, would mandate the company pay an additional \$15 million penalty into the victims relief fund and consumer redress.

CASE SUMMARY:

On July 9, 2024, the CFPB issued a consent order and proposed court order against the Company, the former citing allegedly unlawful repossessions, and the latter citing allegedly unlawful sales practices. The consent order mandates the Company to pay a civil money penalty, consumer redress, and imposes strict compliance measures to prevent future violations. The CFPB’s investigation revealed that the Company’s employees allegedly engaged in breaches of the Fair Credit Reporting Act (FCRA) and the Electronic Fund Transfer Act (EFTA). Under the FCRA (15 U.S.C. § 1681s-2), the Company allegedly furnished inaccurate or incomplete information to consumer reporting agencies regarding repossessions caused by unfairly placed or maintained force-placed insurance (FPI). Moreover, the Company allegedly failed to notify consumers of increases in the amounts of preauthorized electronic fund transfers due to FPI, violating the EFTA (15 U.S.C. § 1693e(b)) and its implementing regulation, Regulation E (12 C.F.R. § 1005.10).

Additional violations cited in the proposed court order include allegedly fraudulent sales practices, as well as opening unauthorized accounts and enrolling customers in products without their consent. According to the Amended Complaint, the Company allegedly incentivized its sales staff to push for the sale of products beneficial to the Company without the knowledge of the

consumers. In addition, the Company allegedly opened bank accounts in consumers' names, funded the new accounts with the consumers' current accounts, and applied for credit cards and other lines of credit without the consumers' knowledge or consent. These actions were deemed deceptive and in violation of consumer protection laws, specifically the Consumer Financial Protection Act of 2010 (CFPA), which prohibits unfair, deceptive, and abusive acts or practices (UDAAP) under 12 U.S.C. §§ 5531 and 5536.

The Company neither admits nor denies the violations outlined in both the consent order and proposed court order. The consent order also prohibits the Company from seeking tax benefits or reimbursements for the penalties paid, ensuring that the financial repercussions serve as a deterrent against future misconduct.

RESOURCES:

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

- [Consent Order](#)
- [Complaint](#)
- [Amended Complaint](#)
- [Stipulated Final Judgement and Order](#)
- [CFPB Press Release](#)

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