

Hudson Cook Enforcement Alert: CFPB Settles with Peer-to-Peer Payment App Company for Allegedly Failing to Prevent Fraud and Investigate Disputes

January 17, 2025 | [Mark E. Rooney](#) and [Kristen Yarows](#)

HIGHLIGHTS:

- The Consumer Financial Protection Bureau ("CFPB") filed a stipulation and consent order against a nonbank financial institution ("Company") regarding its peer-to-peer payment transfer application, to resolve alleged violations of the Consumer Financial Protection Act ("CFPA"), Electronic Fund Transfer Act ("EFTA"), and Regulation E.
- The Company neither admitted nor denied the allegations.
- The consent order requires the Company to enhance its customer service practices, pay at least \$75 million in redress to consumers, and to pay a \$55 million civil money penalty.

CASE SUMMARY:

On January 16, 2025, the CFPB announced that it issued a stipulation and consent order against the Company, to resolve allegations that the Company violated the CFPA, the EFTA, and Regulation E. The consent order alleges that the Company committed unfair acts or practices in violation of the CFPA by failing to provide effective consumer service for the peer-to-peer money transfer application and failing to take appropriate and effective measures to prevent, detect, and limit fraud on the platform. The CFPB alleges that the Company's Terms of Service led consumers to believe that disputes were the responsibility of their linked bank and not the Company, but the Electronic Fund Transfer Act generally requires peer-to-peer platforms to investigate disputes of unauthorized transactions. The consent order also alleges that the company deceptively misrepresented that it protected consumers from unauthorized transactions and that it had a phone number to report unauthorized transfers, but that it did not.

The consent order requires the Company to pay a minimum of \$75 million and up to \$120 million in refunds and other redress to consumers whose unauthorized transfers were not investigated, consumers who did not receive refunds they were entitled to, and consumers who were locked out of their accounts for an extended period of time. The

Company must also pay a \$55 million civil money penalty. Additionally, the Company must create a 24-hour, live customer service line and fully investigate unauthorized transactions and provide timely refunds, as appropriate.

RESOURCES:

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

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

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