



Enforcement Alert from Hudson Cook; CFPB Orders National Bank to Pay Nearly \$21 Million For Alleged Misconduct Relating to COVID-era Unemployment Payments

December 21, 2023 | [Lucy E. Morris](#) and [Robert D. Tilley](#)

HIGHLIGHTS:

- The CFPB ordered the Bank to pay \$5.7 million in consumer redress and a \$15 million civil money penalty for practices that allegedly made it more difficult for consumers to access unemployment benefits during the pandemic.
- The CFPB "coordinated" its investigation with the Comptroller of the Currency ("OCC"), which separately fined the Bank \$15 million for related conduct.
- The Bank neither admitted nor denied the CFPB's factual allegations, but it agreed to the settlement and stipulated to the entry of an order that requires a number of affirmative undertakings to test for and prevent similar issues from arising in the future.

CASE SUMMARY:

On December 19, 2023, the CFPB issued an administrative consent order alleging that a Minneapolis-based National Bank inappropriately froze the accounts of "tens of thousands" of recipients of unemployment benefits via prepaid debit cards during the COVID-19 pandemic. The Bank allegedly expanded its "freeze criteria" for potentially unauthorized transfers during the summer of 2020 and failed to provide cardholders with adequate means of verifying their identities once the accounts were frozen. Early in the relevant period (from August through September 2020) the Bank encouraged consumers to submit their identity verification documents via fax. Even after the Bank implemented a mobile phone verification tool to streamline the process, call center agents continued to instruct consumers to submit relevant documents via fax. The CFPB further alleged that the Bank failed to reasonably consider verification documents once they were received, and that the Bank failed to provide "provisional account credits" to consumers while it investigated.

Based on these allegations, the Bureau found that the Bank violated (1) the prohibition against unfair acts and practices in the Consumer Financial Protection Act of 2010 (the

"CFPA") by failing to provide unemployment insurance benefit cardholders with adequate means to verify their identities and timely regain access to their benefits; and (2) the Electronic Fund Transfer Act ("EFTA") by failing to "timely investigate and resolve" unemployment recipients' error notices.

In order to resolve the case, in addition to paying nearly \$21 million in redress and penalties, the Bank agreed to implement "testing and quality assurance measures to ensure the effectiveness of its identify verification processes" and to provide provisional account credits in the future.

RESOURCES:

You can review all of the relevant court filings and press releases at the **CFPB's Enforcement page**.

- **Consent Order**
- **CFPB Press Release**

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