

Enforcement Alert from Hudson Cook, LLP: CFPB Fines National Bank \$37.5 Million for Misappropriating Customer Data to Open Unauthorized Accounts

July 28, 2022 | [Lucy E. Morris](#) and [Erik Kosa](#)

HIGHLIGHTS:

- The bank must pay a \$37.5 million civil penalty to the CFPB.
- The bank neither admitted nor denied the allegations but must forfeit unlawfully charged fees and costs to consumers and develop a remediation plan for returning those fees to consumers.

CASE SUMMARY:

The CFPB found that a national bank violated the Consumer Financial Protection Act, the Fair Credit Reporting Act, the Truth in Lending Act, and the Truth in Savings Act by allegedly opening accounts in consumers' names without the authorization of those consumers. The Bureau alleges the bank imposed sales goals on bank employees as a factor in evaluating employee performance and implemented an incentive-based compensation program that financially rewarded employees for selling the bank's products. The Bureau alleged that bank employees opened unauthorized accounts without consumers' consent in order to meet these sales goals.

Specifically, the Bureau alleged that bank employees opened deposit accounts, credit cards, and lines of credit without permission in violation of the Consumer Financial Protection Act and Truth in Lending Act. To do so, the bank allegedly obtained consumers' credit reports even where consumers had not applied for the products and without a permissible purpose, in violation of the Fair Credit Reporting Act. The Bureau also alleged the bank violated the Truth in Lending Act by failing to provide required disclosures in opening new deposit accounts. The bank also allegedly violated the disclosure requirements of the Truth in Savings Act in opening these accounts.

The bank did not admit or deny these allegations. To resolve the matter, it agreed to a five-year consent order requiring the bank to create a compliance plan to provide redress to consumers, as well as pay a civil penalty in the amount of \$37.5 million. The bank also agreed to an injunction barring it from engaging in improper sales practices, including not setting performance-management and sales goals for its employees that foster such

practices, and committed to implementing appropriate policies and procedures to prevent such practices from recurring.

RESOURCES:

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

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

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