

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](#)

Enforcement Alerts by Hudson Cook, LLP, written by the attorneys in the firm's [Government Investigations, Examinations and Enforcement](#) and [Litigation](#) practice groups, are provided to keep you informed of federal and state government enforcement actions and related actions that may affect your business. Please contact our attorneys if you have any questions regarding this Alert. You may also view [articles](#), register for an upcoming [CFPB Bites monthly webinar](#) or request a [past webinar](#) recording on our website.

Hudson Cook, LLP provides articles, webinars and other content on its website from time to time provided both by attorneys with Hudson Cook, LLP, and by other outside authors, for information purposes only. Hudson Cook, LLP does not warrant the accuracy or completeness of the content, and has no duty to correct or update information contained on its website. The views and opinions contained in the content provided on the Hudson Cook, LLP website do not constitute the views and opinion of the firm. Such content does not constitute legal advice from such authors or from Hudson Cook, LLP. For legal advice on a matter, one should seek the advice of counsel.

[SUBSCRIBE TO INSIGHTS](#)

HUDSON COOK

Hudson Cook, LLP is a national law firm representing the financial services industry in compliance, privacy, litigation, regulatory and enforcement matters.

7037 Ridge Road, Suite 300, Hanover, Maryland 21076
410.684.3200

[hudsoncook.com](https://www.hudsoncook.com)

© Hudson Cook, LLP. All rights reserved. Privacy Policy | Legal Notice
Attorney Advertising: Prior Results Do Not Guarantee a Similar Outcome

