

Client Alert

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CFPB Complaints Database Expands to Include Prepaid Cards and Nonbank Products

By Oliver Ireland, Ombrea Poindexter and Amanda Mollo

On July 21, 2014, the Consumer Financial Protection Bureau (“CFPB”) announced that it has further expanded its Consumer Complaint Database (“Database”) to include additional types of financial products. Specifically, the CFPB will now accept consumer complaints about prepaid cards and nonbank products, such as debt settlement and credit repair services.

BACKGROUND AND RECENT DEVELOPMENTS

As we recently reported, the CFPB has proposed to include in the Database the unstructured and unvalidated personal narratives of consumers who choose to opt in. The CFPB has been accepting complaints since July of 2011, and began publishing complaints about credit cards in the Database in June of 2012. The Database has been expanded over the years to include additional financial products, such as mortgages, bank accounts, credit reporting and debt collection.

This latest expansion pulls prepaid cards, debt settlement and credit repair services and certain types of small-dollar loans into the scope of the Database. The Database is set up to accept complaints by subcategories within each type of financial product, and the subcategories created for the new products in the Database are telling with respect to the CFPB’s areas of particular interest. This may be a signal to financial institutions that the CFPB could focus on these and similar areas during the course of its other activities, including supervisory and enforcement activities.

PREPAID CARDS

The CFPB has expressed concern that prepaid cards, such as general-purpose reloadable cards and payroll cards, may not provide consumers with the same protections as traditional financial products. In this regard, the CFPB has been planning “to issue a proposed rule aimed at increasing federal consumer protections for general purpose reloadable prepaid cards” in the coming months. The CFPB is accepting complaints in the subcategories of:

- Problems managing, opening, or closing an account
- Overdraft issues and incorrect or unexpected fees
- Frauds, scams, or unauthorized transactions
- Advertising, disclosures and marketing practices
- Adding money to prepaid cards and savings and rewards features

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DEBT SETTLEMENT AND CREDIT REPAIR SERVICES

The CFPB is bringing consumer complaints about debt settlement and credit repair services into the Database following several enforcement actions against debt settlement firms. The CFPB implies that some debt settlement and credit repair services may charge too much for their services or fail to deliver on their promises. The CFPB is accepting complaints in the subcategories of:

- Excessive or unexpected fees
- Advertising, disclosures, and marketing practices
- Customer service issues
- Frauds or scams

PAWN AND TITLE LOANS

The CFPB emphasized that the services of pawn stores and title loan companies may have high interest rates and that consumers accept a relatively high degree of risk in utilizing their services. The CFPB is accepting complaints in the subcategories of:

- Unexpected charges or interest fees
- Loan application issues
- Problems with the lender correctly charging and crediting payments
- Issues with the lender repossessing, selling, or damaging the consumer's property or vehicle
- Inability to contact lender

We will continue to follow the CFPB's work with the Consumer Complaints Database.

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