

Banking and Finance Law Daily Wrap Up, TOP STORY—CFPB charges payment processor with not watching over customer actions, (Jun. 6, 2016)

By [Richard A. Roth, J.D.](#)

Third-party payment processor Intercept Corporation and its owners ignored “blatant warning signs of potential fraud” by the companies who used its services, allowing those companies to withdraw millions of dollars from consumers’ bank accounts illegally, the Consumer Financial Protection Bureau has charged. The bureau has filed a [complaint](#) in federal district court that seeks restitution, damages, and civil penalties from the company and owners, as well as an injunction against future violations of the Dodd-Frank Act ban on unfair, deceptive, or abusive acts or practices.

[According to the CFPB](#), Intercept transmits electronic funds transfers through the Automated Clearing House for its customers, which include payday lenders, title lenders, and debt collectors. This allowed the customers to obtain payments by drawing funds directly from consumers’ bank accounts. However, Intercept violated the Dodd-Frank Act by not properly monitoring customer transactions, investigating red flags that indicated improper activity, or responding to complaints.

Fraud red flags. The CFPB points to unusually high rates of returned payments due to insufficient funds in consumer accounts or unauthorized debits as showing Intercept’s inattention. Network transactions have an annual return rate of 1.5 percent, the bureau says, while some of Intercept’s customers have had return rates as high as 40 percent. Intercept did little to investigate these returns, and it ignored other warning signs such as state and federal enforcement suits against its customers.

Intercept also ignored complaints from banks and consumers, the bureau alleges. When a bank raised concerns about an Intercept customer, the company simply began using a different bank—eight different banks in only six years, the CFPB says.

According to the bureau, Intercept’s processing of payments without adequately monitoring its customers “played a key role” in enabling the customer’s illegal activities.

Companies: Intercept Corporation

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