CFPB Takes Action Against Chime Financial for Illegally Delaying Consumer Refunds

Chime withheld account-closure refunds past the promised 14-day timeframe

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WASHINGTON, D.C. – Today, the Consumer Financial Protection Bureau (CFPB) took action (cfpb.gov/) against Chime Financial for failing to give consumers timely refunds when their accounts were closed. Thousands of consumers waited for weeks or even months for balance refunds after closing their accounts - a failure that inflicted significant financial harm on consumers who did not have access to critical funds to help make ends meet. In some cases, consumers had to seek expensive forms of credit to cover bills that were due. The CFPB's order requires Chime to provide at least $1.3 million in redress to consumers it harmed, and pay a $3.25 million penalty into the CFPB's victims relief fund (cfpb.gov/enforcement/payments-harmed-consumers/civil-penalty-fund/).

"Chime's customers had to wait weeks or months for access to their own money and were forced to use alternative funds to cover their essential expenses," said CFPB Director Rohit Chopra. "Fast-growing financial firms must treat their customers fairly and understand that federal law is not a suggestion."

Chime Financial is a nonbank company headquartered in San Francisco. The company partners with banks to offer financial products, including checking accounts, savings accounts, and credit cards. Chime has $1.5 billion in annualized revenue. Approximately seven million consumers make $8 billion in transactions using Chime cards each month. It is not publicly owned, and relies, in large part, on investments through venture capital firms.

Chime is responsible for processing accounts' payments, which it does by contracting with a

third-party payment processor. Chime is also responsible for nearly all consumer communications concerning accounts, and sets and applies the policies and procedures for servicing them with the review and approval of the company's partner banks.

In most instances, when consumers' checking and savings accounts are closed, Chime automatically refunds remaining balances by check. Until 2021, Chime's policy, reflected in

consumer account agreements, was to process and mail refund checks within 14 days of an account's closure.

The CFPB found that Chime:

- **Failed to timely provide consumer refunds**: Chime failed to issue consumer refunds within the 14 days promised by its policy, including thousands of instances in which Chime did not get refunds to consumers within 90 days.
- **Deprived consumers of needed funds to meet their responsibilities**: Chime's slow response in returning consumer funds prevented thousands of consumers from accessing their money – sometimes for months on end. Consumers who did not have access to their funds were often unable to pay for basic living expenses, and likely had to use or search for expensive credit alternatives, such as credit cards or payday loans.

Enforcement Action

Under the Consumer Financial Protection Act, the CFPB has the authority to take action against institutions violating consumer financial laws, including engaging in unfair, deceptive, or abusive acts or practices.

Under the CFPB's order, Chime must:

- **Pay at least $1.3 million in redress:** Chime must pay at least $1.3 million in redress to harmed consumers. Generally, a harmed consumer will receive at least $150 in redress if, after 14 days from account closure, they still had a minimum unrefunded balance of $10.
- **Pay $3.25 million in penalties:** Chime will pay $3.25 million in penalties to the CFPB's victims relief fund.
- **Provide timely refunds:** Chime must come into compliance with the law, including providing refund checks on closed accounts within a reasonable period.

Read today's order. (cfpb.gov/enforcement/actions/chime-financial-inc/)

Consumers can also submit complaints about financial products or services by visiting the CFPB's website (cfpb.gov/complaint/) or by calling (855) 411-CFPB (2372).

The Consumer Financial Protection Bureau is a 21st century agency that implements and enforces Federal consumer financial law and ensures that markets for consumer financial products are fair, transparent, and competitive. For more information, visit www.consumerfinance.gov (http://www.consumerfinance.gov/).

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