



Letitia James

New York State Attorney General

Attorney General James Secures More than \$1 Million from Netspend for Charging Illegal Fees and Misleading New Yorkers

Netspend Froze Customers' Bank Accounts, Charged Illegal Fees, and Forced Customers to Pay Outrageous Interest Rates

Netspend Will Pay More Than \$735,000 to Tens of Thousands of Affected New Yorkers

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NEW YORK – New York Attorney General Letitia James today [secured over \\$1 million and significant reforms from Ouro Global, Inc. \(Ouro\) which owns Netspend Corporation \(Netspend\)](#), a provider of reloadable debit cards and payroll cards. An Office of the Attorney General (OAG) investigation found that Netspend violated numerous consumer protection laws and harmed tens of thousands of predominately low-income New Yorkers. For years, the company illegally froze its customers' accounts and turned over their funds, which should have been protected, to debt collectors instead. Netspend also charged illegal fees on its debit and payroll cards that cost customers hundreds of thousands of dollars, and operated a paycheck advance program that charged customers illegally high interest rates. As part of the settlement, Netspend will pay more than \$735,000 to tens of thousands of New Yorkers who were affected and change its policies to comply with New York's consumer protection laws. Netspend will also pay over \$350,000 in penalties to the state.

“Netspend took advantage of tens of thousands of consumers and even deprived vulnerable New Yorkers of their hard-earned benefits like Social Security,” said **Attorney General James**. “This settlement will return hundreds of thousands of dollars to New Yorkers and ensure that Netspend ends its illegal practices. I will not tolerate any company that tries to profit by defrauding New Yorkers, and we will continue to go after anyone who breaks our consumer protection laws.”

The OAG investigation found that Netspend violated state consumer protection laws, particularly those meant to protect low-income New Yorkers and those who receive benefits like Social Security and veterans benefits. Netspend operated a paycheck advance program, where workers could receive payments that supposedly represented advances on future wages. However, the fees Netspend charged consumers in this program amounted to interest rates with substantial annualized costs. While New York law limits annual interest rates to 16 percent for unlicensed lenders such as Netspend and 25 percent for licensed lenders, the OAG investigation uncovered more than 4,000 cases in which consumers were charged an effective annual interest rate of over 300 percent. The investigation also revealed that most of these enormous costs fell on New Yorkers who relied on repeated use of the paycheck advance program.

The OAG investigation also found that Netspend facilitated violations of New York's Exempt Income Protection Act. Under this law, state or federal benefits such as Social Security benefits, veterans benefits, disability insurance, and unemployment insurance are protected from debt collectors up to a certain amount: \$3,840 for New York City, Long Island, and Westchester County residents, and \$3,600 for all other New York residents. Netspend failed to follow this law, freezing customers' accounts and allowing debt collectors to seize its customers' funds, even when they fell below the legal limit.

For example, in January 2019, Netspend froze a New York consumer's bank account containing \$1,008.52 – a balance substantially below the legal threshold. When the consumer contacted Netspend and informed them that the account restraint was illegal under New York law, Netspend incorrectly responded that the account had to remain blocked for a year “per the court order.” The customer had to pay over \$600 from the account to the debt collector to free up the remaining funds from the illegal freeze.

Netspend also misled its customers and charged a wide range of illegal fees. Netspend's marketing materials misled consumers about ATM fees that would be charged when using a Netspend card, leading its customers to believe they would be able to avoid all fees by using in-network ATMs. In reality, customers were charged fees on all ATM transactions, earning Netspend millions of dollars. Netspend also charged its payroll card customers a wide range of illegal fees after those fees were banned in New York, including fees for inquiring about an account balance at ATMs, fees for attempting transactions at ATMs that were declined, foreign exchange fees, and more.

As a result of the settlement, Netspend will pay back more than \$735,000 to tens of thousands of New Yorkers who were charged illegal fees, had funds illegally turned over to debt collectors, or who paid fees for paycheck advance payments in violation of New York laws. Consumers who have active debit or payroll accounts with Netspend will have their accounts credited with restitution amounts, while those without active accounts will receive checks in the mail directly from the company. Today's settlement also requires Netspend to pay a penalty of more than \$350,000 to the state and change its policies to fully comply with New York laws.

Attorney General James encourages all consumers who have had their bank accounts illegally frozen or had funds illegally turned over to creditors to [report their experiences to OAG](#).

This matter is being handled by Assistant Attorney General Chris Filburn with the Consumer Frauds and Protection Bureau. The Consumer Frauds and Protection Bureau is led by Bureau Chief Jane M. Azia and Deputy Bureau Chief Laura J. Levine, and is part of the Division of Economic Justice, which is overseen by Chief Deputy Attorney General Chris D'Angelo and First Deputy Attorney General Jennifer Levy.