

Banking and Finance Law Daily Wrap Up, TOP STORY—CFPB fines prison banker JPay \$6 million, (Oct. 20, 2021)

Banking and Finance Law Daily Wrap Up

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By Donielle Tigay Stutland, J.D.

The CFPB reached a settlement with JPay, the dominant provider of financial services in prisons, related to fees charged on inmate debit cards in violation of the CFPA, and ordered the firm to pay \$6 million in penalties.

The Consumer Financial Protection Bureau has fined JPay, LLC, a private firm that offers financial products within the corrections system, \$6 million for violations of the Consumer Financial Protection Act (CFPA) and the Electronic Funds Transfer Act (EFTA). JPay is a dominant provider of banking services within the prison system, including prepaid cards used to disburse funds when former inmates are released from prison. The CFPB characterized JPay's actions as "unfair, deceptive, and abusive acts," and found JPay's practices were in violation of the CFPA, such as charging inmates fees to access their own money on prepaid debit cards that they were forced to use. The CFPB also concluded that JPay violated EFTA and its implementing Regulation E, when it required consumers to sign up for a JPay debit card as a condition of receiving government benefits—commonly known as "gate money"—money provided under state law to help people meet their essential needs as they are released from incarceration.

"JPay siphoned off taxpayer supported benefits intended to help people transitioning out of the corrections system," said CFPB Director Rohit Chopra, in a [press release](#) accompanying the Consent Order. "JPay exploited its captive customer base to charge unfair fees that harmed the newly released and their families." The Bureau also released a separate [statement](#) of Chopra on the enforcement action.

Violations of consumer financial laws. The CFPB found that JPay had engaged in several actions in violation of consumer financial laws. The CFPB concluded that JPay took advantage of incarcerated individuals and caused harm to captive consumers by charging consumers unavoidable fees for prepaid cards used to return money owed to consumers upon release from prison. Consumers were denied a choice on how their own money would be given to them upon release, so they could not protect their own interests. Further, JPay did not provide a reasonable way for consumers to close their card accounts or to obtain their card balances without paying fees.

CFPB also took issue with JPay illegally requiring consumers in certain states to receive protected government benefits on debit release cards. CFPB indicated that in California, Colorado, and Georgia, newly released individuals were required to establish an account with a specific financial institution as a condition of receiving their gate money. By illegally requiring newly released consumers to establish accounts with a particular financial institution in order to receive gate money, JPay was in violation of EFTA and Reg E.

CFPB also concluded that JPay charged fees without authorization and misrepresented fees to consumers in violation of consumer laws. Contrary to the terms stated in certain cardholder agreements, consumers were charged fees before the debit release cards were loaded with additional funds. Additionally, in certain states, the fees disclosed in the cardholder agreement were different from fees described on a separate "green sheet," or were misleadingly omitted from the "green sheet." The CFPB reports that between approximately 2014 and 2017, up to 176,000 consumers received green cards that were inaccurate, incomplete, or both.

Enforcement action. The [Consent Order](#) imposes several requirements on JPay. The order limits the fees JPay can charge for its products, and JPay cannot charge any fees on release cards, except an inactivity fee after 90 days of inactivity. Additionally, the settlement contained \$6 million in fines assessed against the company, which is comprised of a \$4 million payment to compensate consumers harmed by JPay's actions, as well as a

\$2 million civil money penalty to the CFPB, which will be deposited into the Bureau's Civil Penalty Fund. JPay [stipulated](#) to the issuance of the consent order without admitting or denying any wrongdoing.

Dave Abel, CEO of Aventiv Technologies, JPay's parent company, said in a [press release](#): "JPay is pleased to have reached a settlement with the CFPB that corrects past practices related to electronic funds transfers and provides redress to impacted individuals. Led by our parent company, Aventiv Technologies, JPay cooperated fully with the CFPB in this matter, guided by our organization's transformation agenda that emphasizes working collaboratively with regulators, reforming certain past business practices, and making products and services more affordable and accessible."

Companies: Aventiv Technologies; JPay, LLC

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