

CFPB Continues to Target Add-On Credit Products

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The Consumer Financial Protection Bureau (CFPB) has stepped up its enforcement actions alleging deceptive and unfair practices in marketing and billing for add-on credit protection products. Add-on products have been one of the most frequent targets of CFPB enforcement actions, with the vast majority of those actions directed at the credit card banks and auto finance lenders offering such products either directly or through their third-party contractors. In July alone, the CFPB filed three more actions, two of which were against the add-on product vendors themselves, Affinion Group Holding, Inc, and Intersections Inc. The first complaints accepted by the CFPB after it opened for business related to credit cards, and its earliest enforcement orders, were against credit card issuers. Several early orders found unfair or deceptive practices in the marketing of and/or billing for add-on payment protection, credit protection, credit monitoring, identity theft, and other similar products, in violation of the prohibition against deceptive or unfair acts or practices in Title X of Dodd-Frank, i.e., the Consumer Financial Protection Act (CFPA). Indeed, the Bureau's very first enforcement order against a credit card issuer involved add-on products marketed by third-party vendors and a guidance bulletin it issued in April 2012 warned that banks and other supervised entities would be held responsible for the activities of their third-party service providers. The CFPB has also pursued auto finance lenders for deceptive practices in marketing add-on GAP, warranty and service contract products. As of July, **CFPB enforcement orders based on claims for deceptive or unfair practices in marketing add-on products have collectively assessed over \$1.7 billion in remediation and penalties against credit card and auto finance lenders.** The complaints filed against Affinion and Intersection alleged these companies are covered by the CFPA because they offer "consumer financial products or services," are "service providers" to the financial institutions with whom they partnered, and that they unfairly billed consumers for credit card and deposit account add-on benefits which were not received. Recent enforcement actions and sizable penalties imposed reflect the Bureau's continued focus on remediating and penalizing deceptive or unfair practices in offering or charging for add-on payment and credit protection products, as well as its continued expansion of claims against service providers to the consumer financial product and service industry.

Related Practices

Consumer Finance

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