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Decoding the CFPB's Recent Report: An Examination of “Junk Fees” and Their Impact on Consumers

Payments Pros – The Payments Law Podcast

SPEAKERS

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In this episode of *Payments Pros*, Keith Barnett and Carlin McCrory discuss the Consumer Financial Protection Bureau's (CFPB) fall supervisory highlights, focusing on “junk fees.” The report covers examinations in areas of deposits, auto servicing, and remittances completed between February and August 2023. The recent report reveals that their efforts have resulted in institutions refunding more than \$140 million to consumers. The report primarily focuses on deposits as an area of supervisory observations.

Keith and Carlin also note that the report discusses CFPB identifying unfair practices by financial institutions, which have been charging consumers representation nonsufficient funds (NSF) fees without providing an opportunity to prevent additional fees after the first failed attempt. According to the CFPB, some institutions have used incomplete data that failed to capture all instances of representation NSF fees charged to consumers. The CFPB is currently seeking comprehensive reporting on when consumers were charged multiple representation fees and ensuring proper reimbursement. As noted in the report, institutions are refunding more than \$22 million to consumers in response to these directives. NSF fees have been a particular point of criticism for the CFPB, arguing that they are too high and are charged without providing a service to the consumer. Therefore, institutions have been urged by the CFPB to eliminate NSF fees.

The report also addresses unanticipated overdraft fees and the CFPB's findings on pandemic relief benefits. The CFPB obtained data from several institutions related to the fees assessed over the course of 2022.

Lastly, Keith and Carlin discuss that the CFPB has identified unfair practices related to auto servicers' handling of refunds and add-on products after loans terminate early. Some servicers failed to ensure consumers receive refunds, while others miscalculated refund amounts. The CFPB found that servicers engaged in unfair practices when they miscalculated add-on product refund amounts after loans terminated early.

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