

Client Alert

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CFPB Encourages Financial Institutions to Provide Consumers with Greater Control over Payment Methods

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Following the Equifax security breach, it was reported that the Consumer Financial Protection Bureau (CFPB) started to focus on cardholder transaction controls, such as how they are being offered in the marketplace to aid in fraud prevention and how they are being received by consumers.

On November 20, 2017, the CFPB released a November 17, 2017 letter that Director Richard Cordray sent to “the CEO’s of several banks, credit unions, and financial companies” asking that they consider “enabl[ing] consumers to exert greater control over their credit cards, debit cards, and other payment methods.”

In his letter, Director Cordray emphasized the value of new technology in this regard. In particular, he referenced digital servicing platforms which he said “offer the potential for enhanced security . . . by establishing controls that will make it more difficult for unauthorized transactions to occur.” Director Cordray added that “such platforms can allow consumers to exert greater control on their own spending and those they authorize to use their accounts by establishing settings that limit how, where, when, and to what extent their accounts are accessed – and to do so much more easily and conveniently.”

Director Cordray told the CEOs that “it is worth considering how you can prioritize the steps necessary to speed” the availability of this capability to their customers. He went on to provide examples of improvements that digital servicing may allow financial institutions to offer:

- The ability for customers to set spending limits on a card-by-card basis for particular merchants, channels of transactions (e.g., online, telephone, in-person, recurring transactions), or categories of spending;
- The ability for customers to receive an alert or warning if a transaction is attempted that falls outside the customer’s preset parameters (or parameters for an authorized user, e.g., those set by parents for their children); and
- Other money management tools within the institutions’ online and mobile platforms.

Director Cordray concluded his letter by saying, “[O]n the eve of my leaving the Bureau, I urge you to think creatively about how you can put more control directly in the hands of your customers. This will help them as they worry about data breaches, and could help you minimize the incidents of fraudulent use of credit cards and debit cards and other payment methods. This will help people also to assert greater control of their financial lives.”

The financial services industry considers transaction alerts to be a more helpful approach than transaction controls, as it is generally believed that controls could limit the functionality of the payment method.

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