

## CFPB Imposes \$95 Million Fine on Large Credit Union for Overdraft Fee Practices

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On November 7, 2024, the CFPB [ordered](#) one of the largest credit unions in the nation to pay over \$95 million for its practices related to the imposition of overdraft fees. The enforcement action addresses practices from 2017 to 2022 where the credit union charged overdraft fees on transactions that appeared to have sufficient funds, affecting consumers including those in the military community, in violation of the CFPB's prohibition on unfair, deceptive, and abusive acts or practices.

The Bureau alleges that the credit union's practices, particularly in connection with its overdraft service, resulted in nearly \$1 billion in revenue from overdraft fees over the course of five years. According to the Bureau, the credit union unfairly charged overdraft fees in two ways. First, it charged overdraft fees on transactions where the consumer had a sufficient balance at the time the credit union authorized the transaction, but then later settled with an insufficient balance. The Bureau noted that these authorize-positive/settle-negative violations have been a focus of federal regulators since 2015, and were the subject of a CFPB [circular](#) in October 2022. Second, when customers received money through peer-to-peer payment networks, the credit union's systems showed the money as immediately available to spend. However, the credit union failed to disclose that payments received after a certain time of the day would not post until the next business day. Customers who tried to use this apparently available money were then charged overdraft fees.

In addition to monetary fines, the CFPB's order prohibits the credit union from imposing overdraft fees for authorize-positive, settle negative transactions, and also in cases where there was a delayed crediting of funds from peer-to-peer payment platforms.

The monetary penalties the consent order imposes consist of \$80 million in consumer refunds for wrongfully charged overdraft fees and a \$15 million civil penalty to be paid to the CFPB's victims relief fund.

**Putting It Into Practice:** This order aligns with federal and state regulators' recent focus on overdraft fees in a broader initiative to eliminate allegedly illegal "junk fees" (a trend we previously

discussed [here](#), [here](#), and [here](#)). For companies operating in the financial sector or providing peer-to-peer payment services, this enforcement action serves as a critical reminder of the need for transparency and adherence to consumer financial protection laws. Regular audits of fee practices and disclosures can help identify and rectify potential compliance issues before they escalate. Companies aiming to impose overdraft or other types of fees should review agency guidance enforcements to ensure their internal policies and business practices do not land them in hot water.

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