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Remittance Providers Warned To Halt False Advertising In US

International money transfer providers should be prosecuted if they make false claims about the cost and speed of remittances, the US Consumer Financial Protection Bureau (CFPB) has said.

Remittance transfer providers "are charging junk fees on international money transfers and making false claims about the speed of transfers", the CFPB said in a press release dated March 27, as it issued a new circular to regulators. "False advertising about the cost or speed of sending a remittance transfer can violate federal law."

The CFPB enforces US consumer financial law, with the power to impose financial penalties that can reach seven figures. It also issues guidance, in the form of its circulars, to other federal and state agencies with enforcement powers, to promote consistency.

Under the Consumer Financial Protection Act (CFPA), it is illegal for providers of consumer financial products or services to engage in unfair, deceptive or abusive acts or practices. This includes marketing remittance transfers as being delivered within a certain timeframe when they take longer to reach recipients, the circular states.

The circular notes that the speed of remittance transfers is often a crucial consideration for consumers, as recipients may rely on the payments for daily expenses or for time-sensitive emergencies. It is also deceptive for remittance providers to promote transfers as free when they charge consumers fees to send payments, it says.

The guidance applies to traditional international money providers, as well as digital wallet providers that offer remittance services from the US, and is based on consumer complaints to the CFPB, as well as practices the agency has observed in its market monitoring.

"Consumers have reported, and the CFPB has observed, problems with price transparency in the marketing practices of remittance transfer providers, resulting in consumers encountering unexpected costs," the CFPB stated.

The CFPB has observed and received consumer complaints about promotional pricing by remittance transfer providers which do not make it clear that their advertised fees or exchange rates are only limited in scope or time, it said.

The CFPB has also received complaints about marketing that omits or obscures the full cost of remittance transfers, such as advertising that suggests transfers are "free" or carry zero fees while containing only vaguely worded statements in the fine print that additional exchange rate related costs may apply.

"Some of these statements use technical jargon or feature confusing language," the CFPB stated.

Some companies that offer remittance transfers through digital wallets market them as a faster and cheaper way to send remittance transfers. But some providers that market "free" transfers fail to sufficiently disclose fees for currency conversion or for withdrawing funds.

"Consumers should not be paying junk fees on international money transfers that are advertised as free," CFPB director Rohit Chopra said. "The CFPB will continue to work with law enforcement to ensure companies don't illegally burden families with fees or inflated exchange rates using false or misleading claims."

The CFPB administers and enforces the Remittance Rule under the Electronic Funds Transfer Act, the federal regulation that provides disclosures and other consumer protections for people who send international remittances from the US. International money transfer providers may be liable under the CFPA for deceptive marketing practices regardless of whether they comply with the Remittance Rule's disclosure requirements.

The circular follows a consent order the CFPB issued in October 2023 against Chime (doing business as Sendwave), which found the company made misleading statements in advertisements about the speed and cost of its services. The CFPB ordered Chime to refund affected consumers nearly $1.5m in fees and pay a $1.5m penalty into the CFPB's victims relief fund.

The CFPB also took action against Servicio UniTeller in December 2022 for failing to refund customers after the company made errors in money transfers. It was fined $700,000 and ordered to bring its business practices in line with the law.

The CFPB is taking action to rein in fees and spur competition in the consumer financial product market. The agency has proposed rules to prohibit overdraft fees, and earlier this month finalised a rule to limit most credit card late fees from major providers.

Jurisdictions

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Authorities

Consumer Financial Protection Bureau

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Remittances