Stopping Illegal, Unauthorized, or Unwanted Payday and Other Payments

Jane Larimer
Lauren Saunders
Susan Shin
Jay Speer
This panel will discuss issues that arise when a consumer wishes to stop a payday lender (all types), fraudster, telemarketer, or just the consumer’s gym from debiting an account, whether through a check, a remotely created check, or an electronic funds transfer. What types of payments can be stopped and how do you do it? What fees can be charged? Can a rejected payment be re-presented? Can you close your account? What are the consumer’s and bank’s rights and responsibilities?

I. The Problem and Advice on the Ground (Jay Speer)
   A. Payday lenders and others who debit accounts
   B. Difficulty in stopping payments with uncooperative payees and payments that change form
   C. Banks that will not cooperate
   D. Advice to consumers on the ground

II. The Law: Checks, Remotely Created Checks, Remotely Created Payment Orders (Lauren Saunders)
   A. What they are, what law governs, role of originating bank and payment processor
   B. Authorization to create an item remotely
   C. UCC right to stop payment, contest an unauthorized check
   D. UCC right to close a bank account
   E. Proposed FTC Telemarketing Sales Rule

III. The Law: Electronic Fund Transfer Act (Lauren Saunders)
   A. Scope of EFTA, types of electronic fund transfers
   B. Rights under the Electronic Funds Transfer Act and Regulation E
      -- ban on compulsory use as a condition of credit
      -- unauthorized charges
      -- right to stop payment

IV. NACHA and the ACH System (Jane Larimer)
   A. Background on NACHA; role of the originating and receiving depository financial institution
   B. NACHA rules on authorization/revocation of authorization, re-presentment, stop payments
   C. NACHA’s and bank regulators’ recent activities regarding internet payday loans
   D. Upcoming proposed rules

IV. Solutions: Chase Settlement and Regulator Actions (Susan Shin)
   A. Lawsuit against Chase for processing illegal internet payday loans in New York
   B. Recent action by New York Department of Financial Services
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Re: Baptiste, et al. v. JPMorgan Chase Bank, N.A. No. 12-CV-04889 (JBW) (JMA)

Dear Counselors:

As you know, we represent defendant, JPMorgan Chase Bank, N.A. (“Chase”).

In conjunction with settlement of the above-referenced litigation, Chase has agreed to provide the following information concerning its recently implemented and planned policy and practice changes to the way consumer authorized ACH transfers are processed – particularly with regard to payday lenders. In the past several months, we have announced the following improvements in the processing of ACH transfers from consumer accounts:

1. We agree that consumers have the right to stop payment on all recurring ACH transfers to previously authorized payees, and have implemented procedures to make it easier for consumers to do so upon request. Under our new procedures, we will accept and process either oral or written requests, provided that the customer (1) accurately identifies the payee (which may be identified in the customer’s Chase bank account statement or transaction history), (2) requests that the stop payment be made for a specific amount, for a range of amounts, or for all amounts, and (3) makes such request before the transfer on which payment is to be stopped, except that if the customer requests that Chase stop payment on multiple or all transfers, the customer need only make such request before the first of such transfers. The stop payment will be maintained for at least eighteen months or until the ACH transfer(s) is/are no longer occurring (plus 18 months thereafter), and only one stop payment fee will be charged for each stop requested. We are reviewing our customer disclosures and will make revisions as necessary.
2. We now charge only one Returned Item fee for any item returned more than once in a 30-day period, even if the biller presents the same item multiple times because of insufficient funds in the customer’s account.

3. We are working to proactively identify potential misuse of the ACH system used by banks to send and receive electronic payments – including possible misuse by payday lenders and other companies – and report such practices to industry trade associations. We will work with industry trade associations to strengthen policies that prevent excessive collection attempts.

4. Later this year, we expect to implement technology allowing consumers to initiate account closing and restrict future transactions (other than debit card transactions we have already authorized for payment) even if the account has a negative balance or pending transactions. We will not charge Returned Item, Insufficient Fund, or Extended Overdraft fees to an account once account closing has been initiated.

5. We will continue to strengthen employee training and communication on our existing stop payment policy and will roll out revised employee training over the next several months in many forms.

6. Going forward, we will continue to be open to discussing these important issues with NEDAP representatives, and agree to meet with NEDAP representatives before the end of the year to discuss the issues.

As to NEDAP’s specific policy requests, we agree to discuss policy comments and suggestions brought to us by NEDAP on this issue. Because our policies, procedures and training materials are reviewed and modified on an ongoing basis, and many enhancements are in the pipeline, we hope you will understand that we cannot agree to specific language or timeframes outside of our regulatory framework.

Very truly yours,

Sheila E. Carson