

What is Operation Choke Point?

Stopping Banks and Payment Processors from Helping Scammers Raid Your Bank Account

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The U.S. Department of Justice's (DOJ) Operation Choke Point is aimed at banks and payment processors that help scammers to take money out of victims' bank accounts despite clear evidence of fraud. DOJ has brought four Operation Choke Point cases in the past two years against banks or payment processors that helped scammers to take payments from consumers despite clear evidence of fraud.

[CommerceWest Bank](#) ignored explicit notice from other banks about *fraud schemes targeting the elderly*. The bank allowed one of its clients to use 1.3 million unauthorized remotely created checks to steal tens of millions of dollars from consumers' bank accounts through *telemarketing scams, medical benefit discount card scams, and payday loan finder scams*. When opening the scammer's account, CommerceWest Bank *planned for* – and soon saw – half of the payments rejected by other banks, as consumers challenged the payments as unauthorized.

[Plaza Bank](#)'s chief operating officer (COO) was secretly the part-owner of a payment processor that processed payments for scammers. The COO brushed aside warnings from the bank's compliance officer about signs of fraud and allowed *fraudsters unfettered access to the bank accounts* of tens of thousands of consumers to conduct *Internet telemarketing schemes, sell fraudulent "identity theft protection insurance," and make false offers of free credit cards and airline tickets*. The bank also dismissed concerns about an extremely high number of complaints from consumers, other banks and law enforcement.

[Four Oaks Bank & Trust](#) facilitated illegal payments taken out of consumer accounts for a *Ponzi scheme, a scam operation targeted by the FTC, and illegal and fraudulent payday loans*. The bank ignored extremely high rates of payments rejected as unauthorized, with return rates as high as 70%. The bank helped scammers who were *using a vacant lot as an address* and ignored complaints from state attorneys general that the payments were illegal.

[Neil Godfrey](#) pleaded guilty to criminal charges that he used Check Site Inc., a payment processor, to help scammers take millions of dollars from consumers. Purported payday loan websites were actually *a ruse to harvest bank account information* that Godfrey used to create fake remotely created checks deposited against consumer accounts. Godfrey admitted that he was an *expert in finding banks that were willing to ignore the red flags* raised by these checks and in deceiving other banks.

Operation Choke Point is focused *only* on illegal activity. Some gun dealers, pawn shops, and payday lenders claim that DOJ is forcing banks to close the accounts of legal businesses that it disapproves. That is simply not true. Banks close accounts all the time for a number of unrelated reasons, often confidential. For example, anti-money laundering efforts can impact accounts with a lot of cash deposits or international transactions. DOJ does not regulate banks or, other than in its enforcement actions against scam operations, tell banks to close accounts.

The clear evidence of DOJ's real mission is found not in unsubstantiated conspiracy theories but rather in the four cases DOJ has brought: all against those rare banks or payment processors that willingly helped scammers illegally take money out of their victims' bank accounts. This is vital work that must continue and should be supported by the public, legislators, and the financial industry.

For more information and links to the cases: <http://www.nclc.org/issues/payment-fraud.html>.