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NCLC's Saunders Testifies on Operation Choke Point

(WASHINGTON) Today, Lauren Saunders, associate director of the National Consumer Law Center, will testify at the [Department of Justice \(DOJ\) oversight hearing before a House Judiciary subcommittee](#). Her testimony will focus on supporting DOJ's Operation Choke Point and urging DOJ to do more to combat payment fraud. "Operation Choke Point stops fraud. Many fraudsters rely on banks and third party payment processors to enable them to take money from consumers' accounts. Banks and payment processors can enable fraud, and often they can stop it," Saunders testified.

Saunders described the three cases that DOJ has brought to date through Operation Choke Point.

Four Oaks Bank & Trust ignored complaints from consumers and state attorneys general, along with extremely high rates of payments returned as authorized, up to 70%. The bank enabled payments for a Ponzi scheme, illegal internet gambling, and illegal and fraudulent online payday loans.

CommerceWest Bank facilitated over 1.3 million remotely created checks for telemarketing scams, medical benefit discount card scams, and payday loan finder scams. When opening the new account, the bank planned for – and soon saw – half of the payments rejected.

Plaza Bank enabled tens of millions of dollars of internet telemarketing schemes, fraudulent "identity theft protection insurance," and false offers of free credit cards and airline tickets. The bank's COO, who was secretly a part-owner of the payment processor, dismissed concerns about extremely high return rates and complaints from other banks and law enforcement. Even new management debated whether the lucrative revenues outweighed the risk to the bank from the frauds.

"In each of the three cases, banks assisted horrible scams that took millions of dollars out of consumers' bank accounts. Each of the three banks that DOJ targeted ignored overwhelming evidence that its customer was engaged in widespread fraudulent activity," Saunders said.

On behalf of NCLC's low income clients, Saunders pressed DOJ to step up its work against payment fraud and urged Congress to reject bills that would limit Operation Choke Point.

Link to Saunders' full testimony: http://www.nclc.org/images/pdf/banking_and_payment_systems/payment-fraud/testimony-doj-oversight-hearing-2015.pdf

Link to U.S. House hearing: <http://judiciary.house.gov/index.cfm/hearings?ID=273689AA-2065-4ECA-B083-9955EAAEA8D1>

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