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Advocates Applaud Judgment against Bank that Facilitated Illegal Payday Lending, Ponzi Schemes
Consent Decree Orders \$1.2 Million in Fines, Injunctive Relief against Four Oaks Bank & Trust

(WASHINGTON, D.C.) Advocates at the National Consumer Law Center (NCLC) applauded a consent decree entered late last Friday (April 25) against Four Oaks Bank and Trust Company, a North Carolina bank used by payment processors for illegal online payday lenders, a Ponzi scheme, and a money laundering operation for illegal online gambling. “The Four Oaks case is a perfect example of what the Justice Department should be doing: cracking down on banks that turn a blind eye to illegal and fraudulent conduct and facilitate illegal payday lending, Ponzi schemes, money laundering for illegal gambling operations, and consumer fraud,” said Lauren Saunders, NCLC’s associate director.

The Four Oaks case is the first public action in the U.S. Department of Justice’s (DOJ) “Operation Chokepoint,” which some falsely claim is a veiled attempt to target the legal payday loan industry. “Why isn’t everyone applauding DOJ for taking action against a bank that ignored blatant red flags of illegal and fraudulent activity, including extremely high rates of returned payments up to 70%; efforts to hide merchants’ identities; offshore entities evading U.S. laws; illegal and fraudulent conduct laundered through nested payment processors; hundreds of reports of fraud against consumers; deliberate ignorance of the legality of payments; and federal law violations? A bank that has lax controls over the payments it processes is a weak link that can permit money laundering and undermine efforts to combat terrorism, drug cartels and other threats to American security.”

“Operation Chokepoint” focuses on banks through which scammers funnel their payments rather than the scammers themselves. “DOJ and other enforcement agencies go after scammers directly as well, but their efforts to protect the American public are much more efficient if they can cut scammers off from the payment system. The government should not be limited to an endless, often futile effort to chase thousands of fly-by-night operations around the globe,” Saunders explained.

DOJ’s efforts are part of a broader effort by federal and state bank regulators to insist that banks pay closer attention when they process payments for industries with high rates of fraud and illegal activity. Saunders emphasized, “There is not a scintilla of evidence that Justice or bank regulators are aiming at legal conduct by payday lenders or anyone else. Critics should not be defending banks that make profits by ignoring red flags of fraud and illegality that put the public and the bank itself at risk.”

Related Links

NCLC letter (January 2014) to U.S. Attorney General praising Four Oaks case and Operation Chokepoint:
http://www.nclc.org/images/pdf/banking_and_payment_systems/letter-doj-payment-fraud.pdf

Group letter (October 2013) to DOJ and bank regulators supporting work against payment fraud:
http://www.nclc.org/images/pdf/high_cost_small_loans/payday_loans/letter_bankinregulators_paymentprocessing.pdf

The Four Oaks settlement (April 25, 2014): Judgment: <http://tinyurl.com/kwdaju6>; Consent order:
<http://tinyurl.com/mn2ceg9>

The Four Oaks complaint (January 2014): <http://www.courthousenews.com/2014/01/09/USvFourOaks.pdf>

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