Payments Pros – The Payments Law Podcast
Navigating CFPB Enforcement: Key Takeaways From the Global Tel Link Consent Order
Hosts: Keith Barnett and Carlin McCrory
Date Aired: December 4, 2024

Keith Barnett:

Welcome to another episode of *Payments Pros*, a Troutman Pepper Podcast, focusing on the highly regulated and ever-evolving payments industry. This podcast features insights for members of our FinTech and payments practice, as well as guest commentary from business leaders and regulatory experts in the payments industry. My name is Keith Barnett, I'm one of the hosts of the podcast.

Before we jump into today's episode, let me remind you to visit and subscribe to our blog, TroutmanPepperFinancialServices.com. And don't forget to check out our other podcasts on Troutman.com/Podcasts. We have episodes that focus on trends that drive enforcement activity, digital assets, consumer financial services, and more. Make sure to subscribe to hear the latest episodes.

Today, I'm joined here with co-host, Carlin McCrory, and today, we're going to talk about a CFPB enforcement matter that was issued on November 14, 2024, involving Global Tel Link Corporation. I'm just going to refer to them as GTL. And this particular enforcement action is very important to the payments industry.

In this particular enforcement action, GTL and its subsidiaries executed a consent order with the CFPB. In this particular consent order, as many other consent orders with the CFPB, there were no substantive claims. All of the claims arose under the CFPB's UDAP authority. For ease of reference, I'm not going to use the subsidiary names, I'm just going to refer to all of them as GTL. By way of background, through its subsidiaries, GTL offers and provides a suite of products and services to correctional facilities and consumers, the most relevant of which are its money transfer services that are used by consumers, such as friends and family members of people who are incarcerated and those who are incarcerated.

What they do is they help facilitate the sending of money or adding the funds to the accounts of the people who are incarcerated. GTL is also a processor for unified accounts which stores funds that consumers may use to pay for telephone, video visitation, and messaging services during incarceration. The GTL is a licensed money transmitter and there are three issues that were part of the consent order that we will talk about today.

The first issue is GTL's response to customers when they disputed a charge. The second issue is GTL's act of charging fees to customers for using alternate payment channels. And the third issue is GTL's act of closing inactive accounts and not returning the funds to the customers.

As a part of the consent order, GTL is prohibited from engaging in the acts that led to the consent order, it's also required to update its compliance policy to address the issues that were raised in the consent order. GTL is also required to send a written compliance policy to the

CFPB for no objection determination, and the board of directors must be involved in making sure that the compliance policy is being implemented and followed.

On the monetary side, GTL was required to reserve $2 million for consumer redress and pay a $500,000 civil monetary penalty. With that, I will turn it over to Carlin to get us started on the first issue.

Carlin McCrory:

Yes, Keith. The first thing mentioned in the order is a discussion about chargebacks and GTL's UDAP practices related to chargebacks. Can you tell the audience a little bit about that?

Keith Barnett:

Sure. So, by way of background again, GTL has contractual relationships with the correctional facilities to provide these money transfer services to the consumers who were incarcerated, like I mentioned earlier. The friends and family consumers use the transfer services to deposit the funds into the account.

On receipt of the money transfer, GTL transfers funds to the appropriate correctional facility. If a friend or family consumer later disputes the money transfer transaction with their credit or debit card issuer, the friends and family consumer can file what GTL calls a chargeback, or at least that's how the CFPB referred to it in the consent order. When successful, a chargeback results in the money being credited back to the friends and family consumer's account.

In some instances, you could have a chargeback filing because of a payment issue such as a duplicate transaction, unauthorized transaction, or transaction sent to the wrong person or to the wrong type of account. There are several issues that concern CFPB related to the chargeback issue.

The first issue was the account that was associated with the consumer who was incarcerated is blocked until the amount that was charged back by the friends and family member is repaid to GTL. The second issue that was raised by the CFPB was the GTL required payment of a $25 fee in addition to the chargeback amount to remove the block. Third issue that was raised is that it was GTL's practice to block the friends and family members who file a chargeback from using a credit or debit card to send additional transfers to any consumer who was incarcerated until that person repays the chargeback balance.

So, you have, on the one hand, the person who's incarcerated cannot receive funds as long as there's a chargeback on their file, but also if you're sending to multiple family members and you have a chargeback on your file and you're not incarcerated or actually multiple friends, those friends cannot receive any files from you because you're blocked off. The other issue that the CFPB raised was that the company's customer service representatives often fail to advise consumers that there may have been alternative ways to transfer funds.

Then the final issue that they raised was that GTL had a no refund policy for money transfer transactions with limited exceptions because of the reported difficulty in recovering funds once they're sent to the correctional facility. So. that's it right there for the chargeback issue. Do you have anything to add to that, Carlin?

Carlin McCrory:

Yes. So, the only thing I wanted to quickly note is the Bureau mentioned that GTL's policies and procedures didn't mention that friends and family consumers should be warned about the consequences of filing a chargeback and that the recipient may be blocked from sending and receiving additional money transfers using a debit or credit card. So, while they mentioned that these policies and procedures don't contain these things, I think even if GTL would have had these things in its own policies and procedures and disclosed this to customers, I think the Bureau would have still likely found that this was a UDAP for forcing consumers to reimburse for a chargeback and then also potentially charging them a $25 fee.

But moving on to the second issue within the Consent Order, there are various ways that friends and family consumers can initiate money transfers to the inmates. And the Bureau noted various issues with the disclosure of fees. Keith, can you talk a little bit about that?

Keith Barnett:

Sure. So, as Carlin just mentioned, GTL offered multiple ways for people to initiate money transfers and to deposit funds into accounts. They could use a variety of things, such as web-based platforms, kiosks located at the correctional facilities, mobile apps, walk-in retail locations, and over the phone through an IVR system. Depending on the payment channel, the consumers can use various payment methods. These methods include cash, money orders, and credit, and debit cards.

To initiate a money transfer, GTL required the friends and family members to pay a fee irrespective of the channel. Based upon GTL's standard fee table, the consumers were charged the same fee of $4.95 for a deposit made through a walk-in retail location, regardless of the deposit amount. But to deposit cash through a lobby kiosk at a correctional facility, GTL charged different amounts depending on how much was deposited.

For example, to send $20 or less, the fee was $3.95. To transfer between $20.01 and $100, the fee was $4.95. And to transfer more than $100, the fee was $5.95. The consent order went on to say that GTL's fees also increased depending on the amount deposited when sending funds using a credit or a debit card through a kiosk phone or website. For example, according to GTL's standard fee schedule, which the CFPB noted was not disclosed to consumers, if a consumer used a credit or a debit card to send $20 or less through a kiosk, phone, mobile app, countertop, terminal, or website, then GTL charged the consumer a fee of $3.95 plus 3.5% of the deposit amount. That went up, once again, based upon the amount that was being transferred.

The CFPB also noted that although GTL disclosed the fee applicable to a particular transfer to the consumer before they completed the transaction, GTL did not disclose the facility's complete fee schedule to the consumers at any time. And a couple of comments on this, Carlin, before I turn it back to you, to be clear, like I said earlier, GTL is a licensed money transmitter. And it appears that GTL was following all of the requirements under state money transmitter laws, such as disclosing the amounts of the charges to the consumers before the transaction was effected. So, that's probably why you only see the UDAP as the single count as opposed to alleged violations of state money transmitter laws.

Here is another case where we have it where the CFPB is engaging in rulemaking through enforcement, given that they could not find a substantive state or federal law violation. Because the fees themselves do not appear to be unlawful. But remember that the CFPB and FTC have targeted what they call junk fees as UDAP. So, that's another factor at play.

The other thing that I find ironic here is that the CFPB issued a bulletin a while ago saying that payment processors are not prohibited from charging convenience fees related to debt collection, as long as they're not sharing the fees with a debt collector. But the CFPB took issue with the fees charged here, and this is not any type of debt collection. This is providing people the convenience of sending money.

So, Carlin, do you have anything to add or do you just want to move on to the final topic?

Carlin McCrory:

So, Keith, what I'm gathering from this specific part of the Consent Order is for our listeners to have some sort of concrete takeaway is that there should be some sort of fee schedule according to the Bureau where a customer can really compare pricing in order to choose the method in which they want to pay. Do you think that's the main takeaway here from this point?

Keith Barnett:

I think that's what the CFPB is saying in this instance, candidly, it's not required as a matter of law. So, that's why I said this is just rulemaking through enforcement. And so, I would not tell people now, "Oh, hey, you have to do this." But you should look at the enforcement actions as instructive and use these enforcement actions as a data point when you're coming up with your own compliance policies, given the CFPB's expectations, or at least apparent expectations.

Carlin McCrory:

Great. Moving on to the last topic from the Consent Order is a discussion on unified accounts, which allowed for these friends and family consumers to pay for online messaging, video visitation, and telephone services in order to communicate with individuals who are incarcerated. This prong identified some inactivity and refunds to consumers. Keith, just wanted to learn a little bit more about this topic.

Keith Barnett:

Yes, so apparently in this instance, GTL's practice was to deem unified accounts as inactive if there was no use of the services, no deposits made or other activity in the account for a period of time. For example, unified accounts were deemed inactive if there was no activity in the account for 90 days. And then for a certain point, they expanded that from 90 days to 180 days.

Here's the key issue. Once GTL deemed the account inactive, GTL withdrew all the remaining funds from the consumer's account. They zeroed out the balance and retained the withdrawn funds. According to the consent order, GTL did not adequately notify consumers of this policy and practice. The policy and practice was not disclosed on the website or anything before 2021. And according to the consent order, these acts resulted in GTL taking about $4.2 million from approximately 75,000 unified accounts.

I have just one quick takeaway on this before turning this over back over to you, Carlin. The facts are a little bit, there are a lot of holes here within the facts on the consent order. I say that because the consent order makes no mention of an escheatment policy by GTL or by any of the subsidiaries that were involved. So, this is actually my reminder to payments companies that when you do deem accounts inactive and you have the funds, make sure that you are following your escheatment policy. Make sure you have an escheatment policy because otherwise, you can get caught up in a situation like this.

Carlin McCrory:

Keith, nothing further from me on that last point, but thank you so much for joining me today on this episode and thanks to our audience for listening to today's episode. Don't forget to visit our blog, TroutmanPepperFinancialServices.com, and subscribe so you can get the latest updates. Please make sure to also subscribe to this podcast via Apple Podcast, Google Play, Stitcher, or whatever platform you use. We're looking forward to next time.