

## **Alert** | Financial Regulatory & Compliance



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### **CFPB Warns Remittance Transfer Providers About Deceptive Advertising and Marketing Practices**

**Go-To Guide:**

- The Consumer Financial Protection Bureau (CFPB) has issued a new circular warning remittance transfer providers that false advertising about the cost or speed of sending remittance transfers may violate federal law.
- The CFPB's circular highlights several marketing practices the agency suggests may violate the Consumer Financial Protection Act (CFPA), which prohibits unfair, deceptive, and abusive acts and practices (UDAAPs).
- Remittance transfer providers should consider reviewing their in-market advertising and marketing materials, remediating any issues identified as part of that review, and implementing more robust policies and procedures to prevent future violations of the CFPA and its prohibition of UDAAPs.

On March 27, 2024, the CFPB issued a **circular** warning remittance transfer providers that false advertising about the cost or speed of sending remittance transfers may violate federal law, including the CFPA, which prohibits UDAAPs.

Consistent with its typical practice, the CFPB's circular poses a question, provides a summary response, and provides additional background information and a more detailed analysis of the question presented.

### Question Presented

The CFPB circular poses the following question:

“When do remittance transfer providers violate the prohibition on deceptive acts or practices in the Consumer Financial Protection Act (CFPA) in their marketing about the speed and cost of sending a remittance transfer?”

### Response, Background & Analysis

The short answer the CFPB provides is that, *regardless of whether the remittance provider complies with the Remittance Rule's disclosure requirements*, a remittance transfer provider may be liable under the CFPA for (1) deceptive marketing about the speed or cost of sending a remittance transfer and (2) deceptive marketing practices.

In explaining its answer, the CFPB reiterates that a “representation, omission, act, or practice is deceptive if it misleads or is likely to mislead the consumer; the consumer's interpretation is reasonable under the circumstances; and the misleading representation, omission, act, or practice is material.”

In this context, the CFPB states that:

- **It is deceptive to market remittance transfers as being delivered within a certain time frame, when transfers actually take longer to be made available to recipients.** The CFPB notes here that it “presumes that express claims are material” and that the speed of remittance transfer is frequently a key point of consideration for consumers in sending remittance transfers.
- **It is deceptive to market transfers as “no fee” when in fact the remittance transfer provider charges consumers fees to send the remittance transfer.** The CFPB notes here that the cost of sending remittance transfer is also a key point of consideration for consumers and that fees are an important component of cost.
- **It may be deceptive to market promotional fees or promotional exchange rates for remittance transfers without sufficiently clarifying when the offer is only limited or temporary.** The CFPB notes here that marketing promotional pricing for remittance transfers without sufficiently clarifying the offer is only limited or temporary in scope may be deceptive, “*even if the promotional nature of the offer is disclosed in fine print or later in the transaction.*” The CFPB further notes that written disclosures or fine print included in marketing materials are often insufficient to correct a misleading representation that is also included in the marketing materials.
- **It is deceptive to market remittance transfers as “free” if they are not in fact free.** The CFPB emphasizes that marketing a remittance transfer as “free” is “likely to cause a reasonable consumer to believe they are sending a remittance transfer without the provider imposing a cost to the consumer.” Accordingly, the CFPB warns that remittance transfer providers should be aware of the risk of deception where they advertise a “free” remittance transfer but impose costs through the exchange rate spread or for withdrawing funds from a digital wallet or prepaid product.

## Takeaways

The CFPB makes clear it has encountered, whether via consumer complaints or direct observation, issues around the transparency and accuracy of marketing claims regarding the speed and cost of remittance transfers made by providers, and this circular is likely a direct result of those observations. Moreover, the focus on the key issues identified in the circular may signify that these issues will be the focus of future enforcement actions against remittance providers, *regardless of whether* such providers have complied with the Remittance Rule's disclosure requirements.

Remittance transfer providers should carefully review the circular and evaluate whether their marketing claims, particularly those regarding speed and cost of remittance transfers, align with its guidance.

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