

Marketing Practices of Remittance Transfer Providers May Violate CFPA, CFPB Cautions

April 1, 2024

On March 27, 2024, the Consumer Financial Protection Bureau (CFPB) issued [Circular 2024-02](#) warning remittance transfer providers that certain marketing activities may constitute deceptive practices and therefore violate the Consumer Financial Protection Act (CFPA). The CFPB's specific concerns pertain to representations about pricing and costs of remittance transfers – as well as the speed of transfers – that are inconsistent with the actual practices of such providers.

What types of remittance transfer representations create a risk of claims of deception?

The CFPB's concern that certain remittance transfer marketing practices may be deceptive stems from the fact that consumers are now increasingly comparison shopping online for remittance transfer services. In particular, the CFPB is concerned that online marketing can inaccurately tout advantages – such as superior speed in delivering funds to recipients or lower costs for a service – that fail to meet actual practices.

The circular provides several specific remittance provider marketing practices the CFPB could consider deceptive. For example, the CFPB notes that remittance transfers are often made for the purpose of sending money to family members abroad, and speed is particularly important for consumers. Thus, representations that a remittance transfer will be delivered within a certain time frame, when in fact transfers actually take longer to be made available to recipients (even if only in some instances), would be deceptive. The circular also indicates that the CFPB has identified remittance transfer providers that represent that transfers are free, when in fact the provider charges fees or makes money through the exchange rate spread for the transfer – which would likely constitute a deceptive act.

Importantly, the circular also separately addresses “companies that offer remittance transfers through digital wallets and other prepaid products.” The CFPB identifies potentially deceptive marketing practices of these companies, including that certain providers will tell customers that they offer “free account-to-account transfers,” or that “receiving money from a friend” is free, but then will charge a fee for currency conversion or for the recipient to withdraw funds.

Looking ahead

The CFPB has in recent months focused its attention on online consumer financial services marketing activities, issuing both guidance and rulemaking governing the space. In early March 2024, the CFPB warned online intermediaries (also [via circular](#)) that steering customers to certain products based on counterparty payments, rather than based on what is in the interest of the consumer, could also potentially constitute an “abusive” practice.

Providers of remittance transfers should consider reviewing existing marketing materials – including marketing materials provided by authorized delegates at physical locations, as applicable – to ensure they accurately set forth fees and costs (including with respect to exchange rate spreads), as well as the speed of their services. Providers also should keep in mind that an act or practice can be deceptive even if there is no harm associated with the representation.

Further, the circular highlights the CFPB's continued push to [regulate digital wallet and payment app providers](#), following its November 7, 2023, [notice of proposed rulemaking](#) that would allow it to supervise such providers of domestic payments services as "larger participants." Companies that offer remittance transfers through digital wallets and peer-to-peer payments apps should accordingly pay special attention to developments in this space in light of the CFPB's interest in these services.

This content is provided for general informational purposes only, and your access or use of the content does not create an attorney-client relationship between you or your organization and Cooley LLP, Cooley (UK) LLP, or any other affiliated practice or entity (collectively referred to as "Cooley"). By accessing this content, you agree that the information provided does not constitute legal or other professional advice. This content is not a substitute for obtaining legal advice from a qualified attorney licensed in your jurisdiction and you should not act or refrain from acting based on this content. This content may be changed without notice. It is not guaranteed to be complete, correct or up to date, and it may not reflect the most current legal developments. Prior results do not guarantee a similar outcome. Do not send any confidential information to Cooley, as we do not have any duty to keep any information you provide to us confidential. This content may be considered **Attorney Advertising** and is subject to our [legal notices](#).

Key Contacts

Adam Fleisher Washington, DC	afleisher@cooley.com +1 202 776 2027
Obrea Poindexter Washington, DC	opoindexter@cooley.com +1 202 776 2997
E. James Dionne Washington, DC	jdionne@cooley.com +1 202 776 2639
H Joshua Kotin Chicago	jkotin@cooley.com +1 312 881 6674

This information is a general description of the law; it is not intended to provide specific legal advice nor is it intended to create an attorney-client relationship with Cooley LLP. Before taking any action on this information you should seek professional counsel.

Copyright © 2023 Cooley LLP, 3175 Hanover Street, Palo Alto, CA 94304; Cooley (UK) LLP, 22 Bishopsgate, London, UK EC2N 4BQ. Permission is granted to make and redistribute, without charge, copies of this entire document provided that such copies are complete and unaltered and identify Cooley LLP as the author. All other rights reserved.