

Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)

April 2025

Introduction to UDAAP

The Dodd-Frank Wall Street Reform & Consumer Protection Act , 2010







Under the Dodd Frank Act, Unfair, Deceptive, or Abusive Acts or Practices are prohibited

Unfair Acts

- 1. Likely to cause **substantial harm** to consumers
- 2. Cannot be reasonably avoided by consumer
- 3. The **harm is not outweighed** by any **benefits** to consumers or competition

E.g., Hidden Fees , Unwarranted Credit Card Denials

Deceptive Acts

- Potentially mislead customers through:
- omission or
- false representations or
- with representations which could have more than one meaning

E.g., False advertising, Bait & Switch

Abusive Acts

- 1. Harm consumers who are unable to protect their interests
- 2. Take advantage of their lack of understanding, or
- 3. **Interfere** with their ability to make **informed choices**.

E.g., Unlawfully applying Overdraft fees

Applicability

- All consumer financial products and services providers
- Includes banks, credit unions, mortgage lenders and student loan service providers
- Covers broad areas of credit, servicing, collection, payment etc.

Enforcing Bodies

- •CFPB is the primary enforcing authority.
- •FTC & OCC also have enforcement authority.
- Consumers who believe that they have been harmed by a violation of Regulation can file a complaint with the CFPB.

Relation to Other Laws

- •An act or practice that does not comply with the provisions of **TILA** may also be unfair, deceptive, or abusive.
- A discriminatory act or practice that is unfair, deceptive, or abusive may also violate other antidiscrimination laws, such as **ECOA**.

UDAAP INSIGHTS

Unfair Act

Due to a system issue associated with recording the proper enrollment dates and minimum spend timeframe, some Card Members did not receive their Welcome Offers.

Deceptive Act

As a result of third-party manual error, additional status update was sent by Outside Agency (OA) manually for an account leading to customer impact as the account got enrolled with an incorrect APR (7.99% instead of 5.99 %)

Abusive Act

Due to manual error, accounts were manually coded incorrectly, and one previously settled account was placed with an OA for collection. This has been identified through a lawsuit that a cardmember has filed against the Bank.

Unfair & Deceptive Act

All Consumer Lending accounts have Pay/Plan It as an embedded feature, it's disclosed in the Terms and Conditions upon application and didn't honor that by not enrolling CMs who were tagged as a gamer

Major themes in UDAAP Issues

- Marketing offers non-fulfillment.
- Charging interest higher than earlier agreed terms.
- Improper disclosures (printing error on card, email communication missing, emails sent with incorrect information etc.)
- Outside Agency involvement or transitions during a switch to some another agency

CFPB slams Wells Fargo \$3.7 billion for a range of UDAAP Violations | Example 1

DEC 20, 2022

What did Wells Fargo do?



Unlawfully repossessed vehicles & bungled borrower accounts



Improperly denied mortgage modifications



Illegally charged surprise overdraft fees



Unlawfully froze consumer accounts and mispresented fee waivers

Impact on Consumers

The bank's illegal conduct led to billions of dollars in financial harm to its customers and, for thousands of customers, the loss of their vehicles and homes

Over 16 million consumer accounts were affected

Enforcement Action

Provide **\$2 billion in redress** to consumers

Stop charging surprise overdraft fees

Pay \$1.7 billion fine to in civil penalties to CFPB

Ensure auto loan borrowers receive **refund** for certain **add-on fees**

Impact on Wells Fargo



Financial Damage

Following CFPB order , Shares of Wells Fargo fell by 1.5 %



Reputational Damage

Wells Fargo is now considered as a repeat offender when it comes to indulging in practices that harm the customers which will affect the relationship with employees and business partners.



Regulatory Impact

Subjected to increased Regulatory Scrutiny Potential enforcement actions by other federal agencies

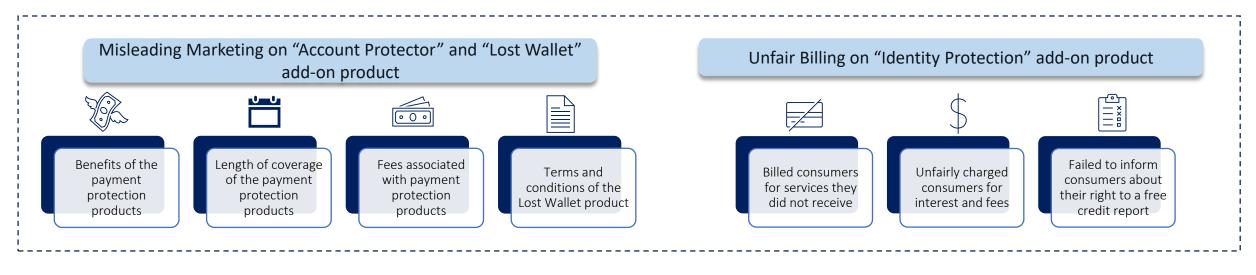
Source: Consumer Financial Protection Bureau

4/8/2025 AXP Internal 4

CFPB Orders American Express to Pay \$59.5 Million for Illegal Credit Card Practices

DEC 23, 2013







subsidiaries engaged in misleading and deceptive tactics to sell credit card add-on products.

estimated \$59.5 million to more than 335,000 consumers for illegal credit card practices Unfair billing tactics and deceptive marketing

Bank \$3.6mn

Source: Consumer Financial Protection Bureau