



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

April 2025

Introduction to UDAAP

Under the Dodd Frank Act, **U**nfair, **D**eceptive, or **A**busive **A**cts or **P**ractices are prohibited

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



Address Systematic Risks in Financial Systems



Enhance Consumer Protection



Improve Transparency & Efficiency of Financial Markets



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

1. 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 misrepresented fee waivers

Enforcement Action

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

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

Stop charging surprise **overdraft fees**

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

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

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

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

DEC 23, 2013

\$75M
Total Financial Impact

