October 19, 2021

Statement of CFPB Director Rohit Chopra on the JPay Enforcement Action

Today, the Consumer Financial Protection Bureau has penalized JPay for engaging in unlawful conduct that targeted people released from the corrections system, siphoning off taxpayer-funded benefits and people's own hard-earned money in the process.

The public has a strong interest in ensuring that those departing the corrections system successfully reintegrate into society. To assist in this endeavor, some states have enacted laws to provide a small amount of gate money to those who have been released. In addition, many people in the corrections system leave with some of their own money. That money could include cash confiscated upon incarceration, money earned in prison jobs, or funds transferred to commissary accounts by friends and family.

JPay is a privately held firm that is ultimately controlled by Platinum Equity Partners. JPay operates multiple business lines in the corrections system, including prepaid cards used to disburse people's funds when they are released from prison. The CFPB's investigation found that JPay violated several federal consumer financial laws designed to protect government benefits, ensure consumer choice, and prohibit abuses of dominance.[1]

Among other violations, JPay engaged in abusive practices in violation of the Consumer Financial Protection Act. It is abusive to take unreasonable advantage of people's inability to protect their interests in selecting or using a consumer financial product or service.[2] JPay charged a number of fees on its prepaid cards, even though people could not obtain their money through other means, shop among prepaid card providers, or readily cash out the cards without paying a fee. In effect, JPay abused its market power created by single-source government contracts for prepaid cards, charging a fee even if customers did not want to do business with

[1] Federal antitrust law prohibits unlawful *acquisition* of monopoly power. 15 U.S.C. 2. In some cases, the *misuse* of a dominant position in the offering of consumer financial services, where consumers cannot easily switch, is unlawful under the Consumer Financial Protection Act's prohibition on abusive practices. 12 U.S.C. 5531(d)(2)(B).
[2] 12 U.S.C. 5531(d).

JPay.[3] The CFPB's order will put a stop to that practice, eliminating all fees on JPay's release cards except a fee after 90 days of inactivity.

This case illustrates some of the market failures and harms that occur when the disbursement of government benefits is outsourced to third-party financial services companies that fail to adhere to the law. Important benefits like unemployment insurance, stimulus checks, tax refunds, higher education benefits, and juror pay are often disbursed or managed by companies offering products and services similar to JPay's. The CFPB will continue to scrutinize these companies, particularly when law violations and abuses of dominance undermine the intent of such government benefits, and where the harms fall heavily on people who are struggling financially.

[3] The Consumer Financial Protection Act prohibits abusive acts or practices in the offering of consumer financial products or services. The Bureau determined that JPay's practices met the statutory test outlined in 12 U.S.C. 5531(d)(2)(B) (prohibiting taking "unreasonable advantage of the inability of the consumer to protect the interests of the consumer in selecting or using a consumer financial product or service"). Specifically, the fact that JPay was able to accumulate market power through its single-source contracts gave JPay a captive customer base. Consumers had little to no ability to protect their interests given this market structure.