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> PREPARED REMARKS OF CFPB DIRECTOR RICHARD CORDRAY ON THE PAYPAL CREDIT ENFORCEMENT ACTION PRESS CALL

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Prepared Remarks of CFPB Director Richard Cordray on the PayPal Credit Enforcement Action Press Call

BY [RICHARD CORDRAY](#)

Thank you for joining us on this call. Today, the Consumer Financial Protection Bureau is filing a complaint and a proposed consent order against PayPal for illegally signing up and billing tens of thousands of consumers for its online credit product, PayPal Credit.

The Bureau alleges that PayPal lured in consumers to this product with deceptive advertising, signed up people without them knowing it, and then mishandled billing disputes when they arose. This kind of conduct has no place in the consumer financial marketplace. Under our proposed order, PayPal would return the \$15 million that it illegally took from consumers and it would pay a \$10 million penalty for its wrongful actions.

Online shopping has become a way of life for many Americans. It offers convenience, 24-hour shopping, and vast choices. PayPal's online payment services are offered on merchant websites throughout the Internet. Since 2008, the company has offered PayPal Credit, formerly called Bill Me Later, which is a financial product that operates like other forms of credit. Consumers make purchases using it as a form of payment and then repay the debt over time. As with credit cards and similar products, consumers using PayPal Credit may incur interest, late fees, and other charges.

From the first encounter a consumer may have had with PayPal Credit, there were problems. Tens of thousands of consumers who were attempting to enroll in a regular PayPal account, or make an online purchase, were signed up for the credit product without realizing it. The company enrolled other consumers while they tried to cancel or close out of the application process. Many people ended up enrolled without knowing how or why, only to discover unexpectedly that they actually had an account when they learned of a credit-report inquiry, or when they received emails welcoming them to PayPal Credit, billing statements, or debt-collection calls.

One reason so many consumers ended up having this product, unbeknownst to them, was that PayPal set the default payment method for all purchases to PayPal Credit. Other consumers were simply not able to select another payment method when they tried to pay.

Then, for those who did willingly sign up for the product, PayPal in many instances failed to honor advertised promotions, such as the promise of a \$5 or \$10 credit toward consumer purchases. This was deceptive advertising.

Finally, once enrolled, consumers encountered headache after headache. PayPal failed to post payments properly, lost payment checks, and mishandled billing disputes that consumers had with merchants or the company itself. Numerous consumers reported

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that the company took more than a week to process payment checks. And even when customers were unable to pay because of website failures, they still got charged late fees.

So today the Consumer Bureau has filed a complaint and proposed consent order in federal court. Under the proposed order, PayPal would refund \$15 million to consumers. PayPal would reimburse those who were mistakenly enrolled in PayPal Credit, those who mistakenly paid for a purchase with PayPal Credit, and those who incurred fees or deferred interest as a result of the company's inadequate disclosures and flawed customer-service practices. We are also imposing a \$10 million penalty on the company.

In addition, we are requiring PayPal to change the way it does business with its PayPal Credit product. The company must now give clear disclosures during the enrollment and checkout process so that consumers know what is happening and that they can use a different payment method if they so choose. The company must ensure that customers receive the promotions advertised and that payments are credited in a timely manner. These changes are designed to ensure that in the future consumers will not be treated in the same manner that PayPal treated them in the past.

Online shopping and the financial products that make it possible are positive features of modern life. They create great options and accessibility. But financial services providers that enable these transactions need to be careful to make sure that people are treated fairly and according to the law. And we will continue to be vigilant in protecting all consumers. Thank you.

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit www.consumerfinance.gov.

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