

Statement of Commissioner Terrell McSweeney
In the Matter of NetSpend Corp.
March 31, 2017

I write to express my support for the Commission's action against NetSpend Corp., including the proposed stipulated order announced today. The FTC's complaint alleges that NetSpend made numerous misrepresentations to consumers regarding its general purpose reloadable cards ("NetSpend cards"), which are targeted to unbanked and underbanked consumers. Consumers may use NetSpend cards to make purchases at locations that accept Visa or Mastercard, as well as receive direct deposits for paychecks or government benefits.

The FTC alleges NetSpend misrepresented that users would be able to use NetSpend cards immediately and have immediate, same-day access to their funds; users are "guaranteed approval" for a NetSpend card and 3) NetSpend would provide provisional credits for claimed account errors within a specific time frame.

NetSpend's advertising made explicit claims that consumers would be able to use NetSpend cards "immediately" and have "immediate" or "instant" access to their funds, with "no waiting." These claims were not limited to situations involving direct deposit. Many NetSpend card users load funds onto their cards at the time of purchase or otherwise have funds deposited before activation. The consumers would reasonably understand the advertising claims to mean that they would have immediate, same-day access to any funds loaded or deposited onto the card – for instance, in order to pay bills due within a short timeframe.

But the complaint alleges that in fact, large numbers of consumers who contacted NetSpend to activate their cards had to wait longer than one day for account activation, including many who waited for weeks before their accounts were activated. During the interim, consumers would not have had access to funds loaded or deposited onto their cards. Moreover, some consumers never obtained access to the funds loaded on their NetSpend cards; the complaint alleges that NetSpend did not activate accounts for many consumers even after they provided additional information or documentation NetSpend requested to verify their identity. In addition, the FTC alleges that NetSpend imposed account blocks that denied many consumers access to their funds for longer than a month, made it difficult for consumers to resolve the blocks, and failed to provide provisional credits.

For the population targeted by NetSpend's prepaid cards – consumers who do not have bank accounts – NetSpend cards may be their only source of funds. These card users may experience extreme financial hardship when funds are unavailable, including the possibility of eviction, vehicle repossession, and late fees on bills.

The facts outlined in the complaint clearly support the allegations that NetSpend made deceptive representations about its cards and violated the FTC Act. Further, I believe that the proposed stipulated order provides both injunctive and monetary relief that effectively addresses the challenged conduct. The order prohibits NetSpend from misrepresenting to consumers how long it will take, or what conditions are necessary, to activate prepaid cards and have access to

funds. In addition, the order requires NetSpend to provide \$53 million in refunds to consumers who loaded funds onto NetSpend cards but never had access to their money.

General purpose prepaid cards, such as NetSpend cards, can provide significant benefits to consumers, especially those who may not participate in or have access to the traditional banking system. Nevertheless, as our actions with NetSpend underscores, all marketers must provide truthful and complete information to consumers about their products.