Advocates Praise Cap One End to Overdraft, NSF Fees

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CFPB should enact rule requiring all banks, credit unions to end abusive, high-cost overdraft loans

WASHINGTON – Advocates at the National Consumer Law Center praised today's announcement by Capital One Bank that it is completely eliminating all overdraft and nonsufficient funds (NSF) fees on all of its accounts – calling on other banks and credit unions to follow suit. Advocates also urged the Consumer Financial Protection Bureau (CFPB) to enact rules ending the use of overdraft fees as a deceptive form of high-cost credit.

"Capital One's complete elimination of all overdraft and NSF fees is a game changer that should set the standard for the entire banking industry and encourage the CFPB to stop overdraft fees from being used as a high-cost form of credit that can reach or exceed the cost of triple-digit payday loans," **said Lauren Saunders, associate director of the National Consumer Law Center**. "Capital One is the first top-10 bank, the first with a real branch network, and the first with significant overdraft revenue to make the hard choice to eliminate overdraft and NSF fees that harm the most vulnerable consumers and push them out of the banking system."

Before COVID, Capital One collected about $150 million annually in overdraft fees. Larger banks collected even more: **In 2020**, JPMorgan Chase earned $1.5 billion in overdraft fees, Bank of America made $1.1 billion, and Wells Fargo collected $1.3 billion. Revenue from NSF fees is not specifically reported. Overall, banks collected nearly $12 billion in overdraft fees in 2019, according to a report by the **Center for Responsible Lending**.

"Overdraft and NSF fees are one of the leading reasons that people are unbanked, either because past overdrafts put the consumer on an **account screening lists** that prevent them from opening new accounts, or because the fees make it too costly to maintain an account," **said Chi Chi Wu, staff attorney at the National Consumer Law Center.**

CFPB research in 2017 found that 79% bank overdraft and non-sufficient funds (NSF) fees are borne by only 9% of accounts. Frequent overdrafters tend to have low end-of-day balances, low or moderate credit scores, and low or moderate monthly deposits.

Earlier this year, Ally Bank also eliminated overdraft fees, but Ally Bank is an entirely online bank that has never collected a significant amount of overdraft fee revenue and has only a single brick-and-mortar branch, whereas Capital One has over 300 branches. Several other banks, including Synovus, Citizens, Santander, Huntington, and PNC, have also made changes in recent months to reduce overdraft fee revenue without eliminating it.

A growing list of nonbank companies, like Chime, Dave, and MoneyLion, offer banking accounts that claim not to charge overdraft fees, but they often have **overdraft or payday advance features** that push people into leaving "tips" or paying fees for fast access to funds.

"The CFPB should pass rules to ensure that consumers are safe from abusive overdraft charges no matter where they bank," **said Saunders.** "The CFPB must reinstate plans that Acting Director Mulvaney **ditched** in 2018 to adopt overdraft fee rules so that consumers do not need to rely on voluntary actions like Capital One’s to avoid unfair fees.”