

RICHARD C. SHELBY, ALABAMA, CHAIRMAN

MICHAEL CRAPO, IDAHO
BOB CORKER, TENNESSEE
DAVID VITTER, LOUISIANA
PATRICK J. TOOMEY, PENNSYLVANIA
MARK KIRK, ILLINOIS
DEAN HELLER, NEVADA
TIM SCOTT, SOUTH CAROLINA
BEN SASSE, NEBRASKA
TOM COTTON, ARKANSAS
MIKE ROUNDS, SOUTH DAKOTA
JERRY MORAN, KANSAS

SHERROD BROWN, OHIO
JACK REED, RHODE ISLAND
CHARLES E. SCHUMER, NEW YORK
ROBERT MENENDEZ, NEW JERSEY
JON TESTER, MONTANA
MARK WARNER, VIRGINIA
JEFF MERKLEY, OREGON
ELIZABETH WARREN, MASSACHUSETTS
HEIDI HEITKAMP, NORTH DAKOTA
JOE DONNELLY, INDIANA

WILLIAM D. DUHNKE III, STAFF DIRECTOR AND COUNSEL
MARK E. POWDEN, DEMOCRATIC STAFF DIRECTOR

United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

June 28, 2016

Mr. Ajay Banga
President and Chief Executive Officer
MasterCard
2000 Purchase Street
Purchase, NY 10577

Dear Mr. Banga:

We write regarding concerns about recent reports of a service interruption affecting consumers who use Walmart MoneyCards. It is our understanding that the service interruption occurred during a transition of the Green Dot-issued accounts to a MasterCard payment processing platform.

Green Dot is one of the largest prepaid card companies in the market, with Green Dot products available at more than 100,000 locations in the country as well as online.¹ Green Dot has relationships with many large retailers, including Walmart, Walgreens, CVS, Rite Aid, 7-Eleven, Kroger, Kmart, and Dollar Tree.² Walmart is Green Dot's largest retail distributor, with 46% of Green Dot's operating revenues derived from products and services sold at Walmart.³ Consumer Reports recently rated Green Dot as one of the highest-rated prepaid cards in the market, rating the cards "excellent" in the areas of safety, fee accessibility & clarity, and convenience.⁴

Last month, individuals that use the Green Dot Walmart MoneyCard prepaid card experienced an interruption in service, reportedly due to a slowdown in transaction processing by Green Dot's transaction processing partner, MasterCard. We are concerned about the impact the Green Dot "technology transition" may have had on its customers, including those who use Green Dot cards for payroll deposits, and are seeking to better understand these events now that MasterCard has had time to assess.

As of December 31, 2015, Green Dot had 4.5 million active cards (defined as cards that had a purchase, reload, or ATM withdrawal transaction in the previous 90 days). Consumers spent \$16.1 billion in purchases in 2015 using Green Dot cards. Reports indicate that Green Dot has approximately 100 million account files, which may include accounts that are dormant.

Beginning May 17, 2016, Green Dot tweeted that "some customers have had a delay in activating their new card." The next day, on May 18, Green Dot released a public statement noting that individuals were not able to access information about card balances online or over the phone. On May 24, Green Dot stated that "several technical issues have come up over the last

¹ Green Dot 2015 Annual Report, <http://phx.corporate-ir.net/phoenix.zhtml?c=235286&p=irol-reportsAnnual>.

² Id.

³ <http://phx.corporate-ir.net/phoenix.zhtml?c=235286&p=irol-reportsAnnual>.

⁴ <http://www.consumerreports.org/prepaid-cards/prepaid-cards-are-getting-better//>

week that impacted the ability of some cardholders to use their cards. These issues ranged from errors associated with balance inquiries to activations and declined transactions.”

Green Dot further stated that “for our customers who have been impacted and whose cards were unavailable to them, we are putting extra money on your card as our way of trying to apologize and make things better.”⁵ We are concerned about the impact the Green Dot “technology transition” may have had on its consumers, including those who use Green Dot cards for payroll deposits, and are seeking to better understand these events now that MasterCard has had time to assess.

Last year, RushCard, another prepaid card company, experienced a “technology transition” glitch that left its consumers without access to entire paychecks for more than 2 weeks. This outage resulted in many individuals facing a waterfall effect of unpaid bills and late fee assessments by outside parties. RushCard recently settled its class actions related to this incident and agreed to reimburse individuals up to \$19 million.⁶ RushCard’s customer base is approximately half a million, a fraction of the size of Green Dot’s customer base.

RushCard’s service interruption was related to a conversion of RushCard’s systems to MasterCard’s processing platform over Columbus Day weekend. MasterCard stated that “during the technology conversion, there was a temporary service disruption.”⁷

As with RushCard, many customers that use Green Dot are underserved by the financial system. Green Dot markets itself as focusing on the unbanked, underbanked, unhappily banked, those new to banking, and millennials.⁸ A large proportion of unbanked households rely on prepaid cards for the same purposes that households associate with checking accounts: to pay for everyday purchases or bills and to receive paychecks.⁹ Nearly 8% of all households used prepaid cards in 2013, with nearly 1 in 4 unbanked households using a prepaid card during the same time period.¹⁰ As such, it is critical that all prepaid industry participants establish sufficient safeguards to provide consumers unimpeded account access and functionality.

To further understand what happened in May, please answer the following questions by June 30, 2016:

- Please explain MasterCard’s relationship with Green Dot. In addition to some Green Dot Walmart MoneyCards being branded as MasterCard cards, it is our understanding that MasterCard provides transaction processing services for all Walmart MoneyCards. How many cards does that include, and how many were affected by the disruption? How many of those affected are from our home states of Ohio and New Jersey?
- We are concerned with reports that the disruption impacted not only balance inquiries, activations, and declined transactions, but also consumers who rely on Green Dot cards

⁵ <https://twitter.com/greendotcards>.

⁶ <http://www.nytimes.com/2016/05/14/business/dealbook/rushcard-to-settle-prepaid-card-suit-for-19-million.html>.

⁷ <http://www.nytimes.com/2015/10/30/business/dealbook/rushcard-says-it-will-reimburse-customers.html>.

⁸ Green Dot 2015 Annual Report.

⁹ <https://www.fdic.gov/householdsurvey/2013report.pdf>.

¹⁰ <https://www.fdic.gov/householdsurvey/2013report.pdf>.

for payroll deposits. Please describe each functionality impacted by the disruption, and the number of consumers affected in each category.

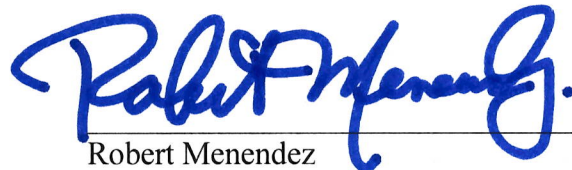
- Early reports indicated that the issues were related to a slowdown in transaction processing on May 17 for a few hours. However, additional reports indicated that many consumers continued to experience problems for up to a week. Can you outline a timeline of the service interruption? Please explain how this malfunction happened, and how long it took to resolve. What steps have been taken by MasterCard to prevent a similar slowdown from occurring in the future?
- MasterCard was the processor related to the RushCard disruption in October 2015. Please distinguish the RushCard circumstances from what happened last month with Green Dot. Do the services that MasterCard provides each company differ, and if so, how?
- Do you plan to directly address consumer harms that resulted of this malfunction, such as late fees or other charges assessed by third parties?
- To what extent has the information about this disruption been provided to the Consumer Financial Protection Bureau?
- Green Dot, like many other prepaid cards and credit cards, bans class actions and forces consumers to bring claims individually through arbitration.¹¹ Likewise, the Walmart MoneyCard has a forced arbitration clause in it, which includes the Walmart MoneyCard MasterCard card. As the CFPB has noted in a recent report, arbitration clauses can act as a barrier to class actions and many people would benefit from class action settlements.¹² How does this arbitration clause affect consumers seeking redress from MasterCard in this incident, including on a class basis?

These service interruptions are a clear indication that more oversight and consumer protection is needed in the prepaid card market. We are encouraged that the CFPB proposed rules to regulate prepaid cards, in order to ensure fair dealing in this market.¹³ We look forward to hearing your response on how to prevent such a malfunction from harming consumers again. As the CFPB moves forward in finalizing rules on the prepaid card market, it is important to understand how the market operates and ensure that consumer accounts and information are handled responsibly.

Sincerely,



Sherrod Brown
United States Senator



Robert Menendez
United States Senator

¹¹ https://www.greendot.com/greendot/cmsviews/greendot/controls/en-us/gdb_cardholderagreement_english.pdf.

¹² http://files.consumerfinance.gov/f/201503_cfpb_factsheet_arbitration-study.pdf.

¹³ <http://www.consumerfinance.gov/newsroom/cfpb-proposes-strong-federal-protections-for-prepaid-products/>.