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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

June 28, 2016

Mr. Douglas McMillon
President and Chief Executive Officer
Walmart
702 S.W. 8th Street
Bentonville, AR 72716

Mr. Steven Streit
President and Chief Executive Officer
Green Dot
3465 E. Foothill Blvd.
Pasadena, CA 91107

Dear Mr. McMillon and Mr. Streit:

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 Green Dot and Walmart have 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 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."

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//>

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

Last year, RushCard, another prepaid card company, experienced a “technology transition” glitch that left its customers 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.

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.⁷ 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.⁸ Nearly 8% of all households used prepaid cards in 2013, with nearly 1 in 4 unbanked households using a prepaid card.⁹ 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 July 31, 2016:

- How many people were affected by the disruption? How many of those affected are from our home states of Ohio and New Jersey?
- Early reports indicated that the issues were limited to those cards co-branded with Walmart, including the Walmart MoneyCard. How many active or dormant accounts use Walmart MoneyCard? Can you describe the universe of the Green Dot cards that experienced problems?
- 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 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 over the next week indicated that many consumers continued to experience problems for at least several days. Can you outline a timeline of the service interruption? Please explain how this malfunction happened, and how long it took to resolve.

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 Green Dot 2015 Annual Report.

⁸ <https://www.fdic.gov/householdsurvey/2013report.pdf>.

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

- Do you plan to address consumer harms that resulted of this malfunction, such as late fees or other charges assessed by third parties? Can you provide further detail on Green Dot’s announcement that it would put “extra money” on cards? For Walmart, how do you plan to address problems experienced by consumers who use the Walmart MoneyCard?
- More generally, how do Walmart and Green Dot handle consumer complaints about prepaid cards? How does Walmart handle retail versus online or telephone complaints?
- How does Walmart monitor its relationship with Green Dot?
- 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.¹⁰ Likewise, the Walmart MoneyCard has a forced arbitration clause in it. 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.¹¹ How does this arbitration clause affect consumers seeking redress in this incident, including on a class basis?
- Though the Walmart MoneyCard cardholder agreement is between Green Dot Bank, the issuer of the card, and the individual cardholder, many of the terms of the agreement relate to activities that occur at Walmart or which Walmart would otherwise have some role. For example, the agreement covers withdrawals at Walmart registers vs. ATMs; Walmart check cashing; how to reload at a Walmart store; and cash-back rewards that can be earned on qualifying Walmart purchases. What is Walmart’s role in handling disputes related to terms of the cardholder agreement?

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.¹² 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

¹⁰ https://www.greendot.com/greendot/cmsviews/greendot/controls/en-us/gdb_cardholderagreement_english.pdf.

¹¹ http://files.consumerfinance.gov/f/201503_cfpb_factsheet_arbitration-study.pdf.

¹² <http://www.consumerfinance.gov/newsroom/cfpb-proposes-strong-federal-protections-for-prepaid-products/>.