The Consumer Financial Protection Bureau ("CFPB") recently announced that Capital One Financial Corp. ("Capital One") will pay a total of $200 million to settle charges related to deceptive marketing of credit card "add-on" products such as payment protection and credit monitoring. This was the first enforcement action brought by the fledgling agency established by the Dodd-Frank Act to increase oversight of consumer financial products. To settle claims that Capital One engaged in deceptive marketing with add-on products sold to its customers, Capital One will provide between $140 million and $160 million in restitution to approximately two million of its customers; the lender will also pay an additional $60 million in penalties. CFPB will receive $25 million of the penalties; the Office of the Comptroller of the Currency, the bank's primary regulator, will receive the other $35 million. CFPB investigators determined that Capital One's third-party solicitors engaged in deceptive tactics in selling ancillary products such as "payment protection", "credit-monitoring services," and access to "credit education specialists."

Payment protection plans, including debt-protection, credit insurance, and debt-cancelation products have long been criticized as unfair and abusive to customers. According to a Government Accountability Office report, card-issuing banks kept about 55% of the fees collected for such products in pretax earnings. Issuers reaped some $2.4 billion in fees from these ancillary products in 2009 alone. The products and the marketing of same have long been derided by consumer advocates.

The CFPB is considering whether new rules are needed for debt protection products, an area which has been among the CFPB's priorities due to rampant complaints of customer abuse through deceptive marketing and exorbitantly expensive products. The Capital One settlement with CFPB follows a $13.5 million settlement Capital One agreed to resolve claims brought by the West Virginia Attorney General over sales of payment protection and other ancillary products between 2001 and 2005.