

DealB%k

WITH FOUNDER
ANDREW ROSS SORKIN

RushCard Says It Will Reimburse Customers

By LIZ MOYER OCT. 29, 2015

RushCard, the prepaid debit card company plagued with technology problems this month, said on Thursday that it would pay \$2 million to \$3 million to refund customers for losses as well as inconvenience.

Plans for a reimbursement fund, to be financed by RushCard, are being reviewed by the company and regulators, and exact details will not be released until regulators approve it. The dollar amount could change depending on how many customers ultimately make use of it, its executives said.

“We take accountability,” RushCard’s chief executive, Rick Savard, said in an interview on Thursday. “We will make it right and go a little bit further.”

RushCard, which is based in Cincinnati, previously announced it would eliminate card fees for current and new customers from now until the end of February 2016. The costs of the reimbursement fund and the lost fee revenue will amount to what the privately held RushCard made in profit for 2015. While the executives would not say how much that was, they called it the firm’s best year ever.

“I’m not worried about what we lost,” a RushCard founder, Russell Simmons, said on Thursday. “We can get it back. We’re focused on making customers whole.”

Since Columbus Day weekend, when the technical issues arose, Mr. Simmons and Mr. Savard have been barraged with criticism from customers, many of whom used social media to air their grievances after being unable to use their cards or get access to their money, in some cases for more than a week.

The episode attracted the attention of regulators as well. Last Friday, the Consumer Financial Protection Bureau said that it was taking “direct action” to address the issues at RushCard and that it was working with the Office of the Comptroller of the Currency and the Federal Trade Commission to ensure a comprehensive response.

In the interview Thursday, Mr. Savard said RushCard was in contact with regulators and would have a number of meetings with them about what happened and how it would be remedied.

The technical problem occurred while RushCard was converting its systems to MasterCard’s processing platform on Columbus Day weekend. That cascaded into issues with other technology that backs RushCard’s customer service and automatic deposit systems. Mr. Simmons characterized it as a “tsunami.”

The company said it was working with MetaBank, which issues the cards on its behalf, and MasterCard to resolve issues.

In a statement, MasterCard said, “During the technology conversion, there was a temporary service disruption. Our prepaid processing group has been working to operationally support RushCard’s efforts to address the needs of customers nationwide.”

The problems shined a fresh light on the world of the unbanked and underbanked — those tens of millions of Americans who either don’t have a bank account or have one but still rely on check-cashing stores and payday lenders to get by.

RushCard was started in 2003 by a company Mr. Simmons co-founded, UniRush, which has drawn investments from Accel Partners and Carlyle Group.

Mr. Simmons said he wanted to offer people an alternative to the existing options and their higher fees and lower services. Prepaid cards have been a

growing business in the United States. General purpose prepaid card spending was \$220.34 billion for 2014, according to The Nilson Report, a payment card trade publication.

Mr. Savard said the process for filing for a refund through the reimbursement fund should be up and running in a few weeks. Customers seeking refunds will have to provide proof of their loss by submitting paperwork.

Correction: October 29, 2015

An earlier version of this article misstated the year of RushCard's founding. It was introduced in 2003, not 2010.

A version of this article appears in print on October 30, 2015, on page B3 of the New York edition with the headline: RushCard to Reimburse Customers for Their Losses.