

February 6, 2012

WSJ BLOGS

Deal Journal

An up-to-the-minute take on deals and deal makers.

By David Benoit



JPMorgan Paying Back Those \$38 Cups Of Coffee

Another bank is paying millions to reimburse those \$38 cups of coffee.

J.P. Morgan Chase, the bank that now holds the most deposits in the country, has reached an agreement to pay \$110 million to those who paid heavy fees for the proverbial “cup of coffee” that overdrafted their accounts.

The settlement, revealed in a court document late Friday night, would mark another big victory for a long-running consolidated suit that’s going on in Miami federal court.

Bank of America agreed early last year that it would pay a much larger \$410 million payment to settle the suit. Wells Fargo, in a separate case, had been ordered to pay some \$200 million.

The Miami suit was based on the allegation that banks overcharged customers who, when using debit-cards, spent more than was in their bank account. The banks would charge those customers a \$35 fee for each purchase, leading to the \$38 cup of coffee that symbolized the issue.

One major complaint centered on the way the banks processed purchases, which had been in order of the highest to lowest purchase. Most banks, including J.P. Morgan, have moved away from that process and instead are charging the purchases in the order they happen.

Regulation has also since arrived that bans banks from charging a customer overdraft fees when using a debit card if that customer hasn’t consented to the fees. A customer now can choose whether to accept the fee, or “opt-in,” or risk having the purchase rejected at the register.

J.P. Morgan switched its overdraft policies in March 2010 including to an “opt-in” system and eliminated fees for any overdrafts that were \$5 or less.

A spokesman said Monday the bank is “pleased to have reached an agreement in principal.”

Aaron Podhurt, a managing partner at Podhurt Orseck and co-lead counsel for the plaintiffs, said in a statement the proposed settlement with J.P. Morgan is “a fair, adequate and reasonable settlement for our class members, and we expect it will eventually be approved.”

[Reuters reported on the settlement earlier Monday.](#) [American Banker reported on the settlement Friday.](#) Bank of America was considered more vulnerable than other banks to the lawsuit because its accounts did not mandate all complaints be arbitrated. Arbitration, which other banks include in the fine print, can keep lawsuits from moving forward.

Also named in the consolidated lawsuit were Wells Fargo, Citigroup, U.S. Bancorp, SunTrust Banks Inc. and Huntington Bancshares Inc.