

PROGRAM MATERIALS
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Error Resolution & Dispute Under Reg E: Implementing Policies and Practices to Avoid Mistakes

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Justin Muscolino

Justin brings over 20 years of wide-arranging experience in compliance training and regulations. He previously led the compliance training function for JPMorgan Chase Macquarie Group, UBS, Bank of China, and GRC Solutions. Justin also runs his own compliance training company focusing on US & International regulations providing real-life training.

Justin also worked for FINRA, a US regulator, where he created Examiner University to train examiners on how to perform their function. He also serves as an advisor for the Global Compliance Institute (GCI) and instructs at the Barret School of Business and various compliance training providers.



Agenda

- Overview of Regulation E and its key requirements
- What qualifies as an error and consumer rights involved
- Timelines and procedures for resolving Reg E disputes
- Best practices for investigation and documentation processes
- Common mistakes and how to prevent regulatory violations
- Strengthening internal controls and staff training for compliance

Introduction to Regulation E

- Covers electronic funds transfers and consumer financial transaction rights
- Designed to protect consumers from unauthorized or incorrect transactions
- Applies to banks, credit unions, and other financial service providers
- Ensures error resolution and dispute handling are fair and timely
- Mandates disclosures, investigation timeframes, and consumer notification requirements

What Is an EFT Error?

- Unauthorized transfers not initiated or approved by the consumer
- Incorrect transfers sent to or from the wrong account
- Computational or bookkeeping mistakes during processing or posting
- Omission of an EFT from the consumer's periodic statement
- Receipt of incorrect amount from an ATM or terminal

Consumer Error Notice Requirements

- Consumers must provide error notice within 60 calendar days
- Notice can be written or oral—both are valid under rule
- Description must include transaction details and reason for concern
- Include date, amount, and location of the disputed transaction
- Notice initiates the institution's responsibility to investigate the issue

Timeframes for Investigation

- Must begin investigation promptly upon receiving a valid notice
- Resolve most errors within 10 business days of receiving notice
- If unable, may take 45 days with provisional credit granted
- Provide consumer results within 3 business days after completing investigation
- Temporary extensions allowed with proper documentation and communication

Provisional Credit Rules

- Must provide within 10 business days if resolution needs extension
- Credit must be equal to disputed amount minus liability portion
- Allow consumer full access to provisional funds during investigation
- Notify consumer of provisional credit amount and usage availability
- Must reverse if investigation finds no error after proper explanation

Investigation Best Practices

- Keep detailed records of communications and investigative findings
- Use transaction logs, ATM footage, or network data when available
- Contact merchants when needed to verify transaction legitimacy
- Maintain standardized procedures to avoid inconsistent treatment errors
- Ensure staff are trained in documentation and regulatory expectations

Documentation Requirements

- Retain consumer notice and institution's investigative documentation
- Maintain copies of provisional credit notices and final determination
- Document timing compliance with Reg E's investigation schedule
- Track each error case from initiation to resolution outcome
- Ensure audit trails are complete, clear, and regulator-ready

Consumer Notification Rules

- Provide written results within three business days of decision
- Clearly explain determination and consumer's rights if applicable
- Include amount and date of any credit or debit adjustments
- If no error found, state why and return any documentation
- Provide notice of right to request investigation documentation copy

Unauthorized Transactions

- Occur without consumer's permission or knowledge of transaction origin
- Includes lost or stolen cards or compromised login credentials
- Timely reporting limits consumer liability under federal law
- Investigate unauthorized claims with care and appropriate evidence standards
- Avoid unfair denials based solely on merchant acceptance logs

Consumer Liability Limits

- \$0 liability if reported before card or data is used
- Up to \$50 if reported within two business days
- Up to \$500 if reported after two but before 60Unlimited liability if reported after 60-day statement window expires
- Must calculate liability fairly and disclose final outcome clearly

Handling Late Notices

- Institutions not obligated to investigate after 60-day statement deadline
- May choose to investigate voluntarily for service or reputation reasons
- Should document reason for declining to investigate if applicable
- Train staff to recognize and route late notices appropriately
- Avoid inconsistent treatment that may appear discriminatory or arbitrary

Merchant Disputes vs. EFT Errors

- Merchant quality disputes are not Regulation E error types
- Regulation E applies only to electronic transaction processing issues
- Distinguish dissatisfaction from actual unauthorized or incorrect transfers
- Use clear scripting when informing consumers about coverage limitations
- Offer alternate solutions outside Reg E for customer satisfaction

Recurring Transfer Errors

- Covers preauthorized debits that process incorrectly or unexpectedly
- Includes incorrect amount, duplicate, or unrecognized party transfer
- Must investigate per standard error resolution procedures under Reg E
- May involve business agreement review or ACH documentation gathering
- Require written confirmation from consumers after oral stop payment requests

Stop Payment Rules

- Consumers can stop preauthorized transfers with advance notice
- Must give notice at least three business days before transfer
- Notice can be oral, but written confirmation may be required
- Stop payment remains effective for future transfers unless rescinded
- Failure to honor valid stop results in a Reg E error

Internal Controls and Training

- Establish documented procedures aligned with Regulation E requirements
- Train staff regularly on error handling and notification standards
- Use checklists and templates to promote consistent investigations
- Monitor performance metrics for investigation timeliness and accuracy
- Implement oversight and periodic policy reviews for improvements

Technology and Automation Tools

- Use automated tracking for investigation deadlines and credit timing
- Leverage workflow tools to streamline documentation and notifications
- Implement alerts for potential duplicate transactions or errors
- Monitor system logs for processing failures and anomalies
- Integrate Reg E compliance checks in digital service channels

Dispute Intake Tips

- Be empathetic and clear when receiving consumer error notices
- Confirm transaction details and ask clarifying questions respectfully
- Provide clear expectations about timelines and next communication steps
- Avoid bias based on account history or transaction type
- Document intake process thoroughly and route for prompt investigation

Communication Do's and Don'ts

- Do use plain language when explaining rights and investigation process
- Don't dismiss consumer claims without reviewing all supporting data
- Do notify of every key step in the dispute process
- Don't delay responses or omit final resolution explanations
- Do maintain professionalism even with difficult or frustrated consumers

Audit and Oversight

- Regularly audit cases for completeness and regulatory time compliance
- Use findings to refine internal policies and staff training
- Track complaint themes to uncover process gaps or weaknesses
- Conduct root cause analysis for repeated dispute failures
- Share audit results with leadership and compliance for awareness

Enforcement Actions and Lessons

- Regulators have penalized firms for failing to investigate properly
- Common violations include missed deadlines and unsubstantiated denials
- Fines, reputation harm, and customer losses are all consequences
- Learn from consent orders and adapt practices accordingly
- Stay informed about CFPB and FDIC enforcement trends

Common Pitfalls to Avoid

- Ignoring oral notices or delaying provisional credit process
- Using merchant acceptance as sole basis to deny claims
- Failing to communicate deadlines or provide written determination
- Not distinguishing Reg E errors from merchant satisfaction issues
- Applying policies inconsistently across customer types or channels

Key Takeaways

- Reg E ensures consumer protection in electronic fund transfers
- Timely, fair investigations are required for valid error notices
- Provisional credit rules prevent undue consumer financial harm
- Strong documentation and communication are compliance cornerstones
- Training, automation, and audits reduce risk and improve practices

