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Gun retailers, payday lenders out of Choke Point's crosshairs

By Kelly Riddell

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Gun retailers are no longer on a hit list deemed “high risk” by the Federal Deposit Insurance Corp. after the banking regulator formally withdrew Monday the list it put together that outlined what merchants may be considered risky for banks to do business with as part of the Obama administration’s “Operation Choke Point.”

The agency said its explanatory warning list “led to misunderstandings” about how it’s supervising banks’ ties to third-party payment providers, according to Bloomberg News. The regulator said it never meant to prevent banks from doing financial transactions with the types of businesses on the list.

“Those that are operating with the appropriate systems and controls will not be criticized for providing payment-processing services to businesses operating in compliance with applicable law,” the FDIC said in its updated industry guidelines, issued Monday.

Richard Osterman, the agency’s acting general counsel, admitted to the American Banker newspaper Monday that the list had been “misinterpreted” by financial institutions.

Republican lawmakers have criticized the FDIC for unfairly targeting legitimate businesses that operated in its so-called high-risk category, including gun retailers and payday lenders. The Washington Times reported in May that many banks were dropping businesses in these high-risk industries as the bankers wanted to avoid higher scrutiny from the federal regulator.

The FDIC has been helping the Department of Justice run “Operation Choke Point,” which is intended to combat online fraud by cutting off fraudsters’ access to payment systems. House Committee on Oversight and Government Reform Chairman Darrell Issa, California Republican, has said the effect of the program has been to squeeze out legitimate businesses.

“If you empower the government to pick winners and losers within lawful enterprises, then there’s no place to stop,” Mr. Issa said this month in an appearance at the libertarian Cato Institute.

Industry advocates pushing to repeal Operation Choke Point said the FDIC did not go far enough Monday.

“Altering a website is window dressing and doesn’t end the unjust practices associated with Operation Choke Point,” said Brian Wise, a senior adviser for the U.S. Consumer Coalition, which is seeking an end to Operation Choke Point.

“While we support the FDIC’s decision to remove the list of ‘high-risk merchants’ from the FDIC website, damage has already been done to countless businesses across the country who have already lost their bank accounts,” he added. “Whether the list is published on the FDIC’s website or not, we expect banks will still be fearful of doing business with these lawful industries.”