

## Baltimore Sues Fintech Company Dave Over ExtraCash Overdraft Product

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In the recently grand tradition of Maryland making waves in the consumer financial services space, the Mayor and City Council of Baltimore filed suit against Dave, Inc., a fintech that uses a “proprietary AI underwriting model that analyzes cash flow, not credit scores” to offer a product called “ExtraCash” to consumers when it looks like their budget might be tight. Baltimore claims that the ExtraCash product is an illegal, unlicensed payday loan scheme disguised as an “overdraft service.”

The complaint,<sup>[1]</sup> brought under Baltimore’s Consumer Protection Ordinance and grounded in the Maryland Consumer Loan Law (“MCLL”),<sup>[2]</sup> alleges that Dave’s characterization of ExtraCash as an “overdraft service” was purposefully designed to evade Maryland’s 33% interest cap and licensing requirements applicable to consumer loans of \$25,000 or less.

This action follows parallel federal scrutiny, [with the U.S. Department of Justice \(DOJ\)](#), [on referral from](#) an initial investigation and case brought by the [Federal Trade Commission \(FTC\)](#), alleging deceptive marketing practices by Dave and its CEO in December 2024.

### The Allegations

#### *ExtraCash Is a Loan, Not an “Overdraft”*

Baltimore argued that ExtraCash advances possess every hallmark of a consumer loan:

- Underwriting using proprietary “CashAI” models;
- Verification of recurring income via linked accounts;
- Preauthorized ACH debits for repayment;
- Near-total collection rates; and
- Fees tied to principal and repayment timing.

Although Dave currently characterizes the product as an “overdraft service,” the City alleged that no third-party transaction is being covered, no traditional checking account is being overdrawn, and the so-called “ExtraCash account” functions solely as an internal ledger reflecting a negative balance created by Dave itself when it advances funds.

#### *Fee Structure*

The complaint also described a shifting fee model that, in Baltimore’s view, reveals the underlying economics of a high-cost short-term loan.

Historically, ExtraCash included express transfer fees for “instant” funding, monthly membership fees, and default “tips” (with design features allegedly nudging consumers toward 15% gratuities). In 2025, following regulatory scrutiny, Dave eliminated tips and introduced a mandatory “overdraft fee” equal to 5% of principal (minimum \$5, maximum \$15), while increasing its monthly subscription fee from \$1 to \$3.<sup>[1]</sup> Baltimore provided illustrative examples:

1. A \$40 advance repaid in three days with a \$5 overdraft fee, \$0.60 express fee and \$3 membership fee allegedly yields an APR exceeding 2,500%.
2. A \$25 advance with a \$5 fee and 10-day repayment allegedly equates to 730% APR, even before other charges are included.

The City alleged that express fees are effectively mandatory because the “instant” version of the product (which was prominently advertised) requires payment of the fee, while no-interest funding is delayed by multiple days.

The complaint also characterized prior tip screens as employing “dark patterns,” including default tip selections and charitable meal claims that allegedly overstated the relationship between tip percentages and food donations.

#### *The \$500 “Bait-and-Switch”*

According to the complaint, advertising repeatedly features consumers receiving \$500 instantly. However, Baltimore alleged that:

- Dave offers no advance at all more than 75% of the time; and
- Only 0.009% of new users allegedly receive \$500 advances, with less than 1% receiving \$250 or more.

The City characterized this as a classic “bait and switch,” arguing that disclosures stating that “few receive \$500” are buried and unreadable in social media contexts.

#### *The MCLL Licensing Regime*

The complaint asserted that because ExtraCash advances are loans under Maryland law, or alternatively a “device or pretense” to collect interest, they are subject to the MCLL’s licensing regime and 33% interest cap. Baltimore alleges that Dave operates without a Maryland consumer lender license and that loans exceeding the statutory cap are void and unenforceable.

#### **Past FTC and DOJ Scrutiny**

On December 30, 2024, the DOJ, together with the FTC, [announced](#) that it had filed an amended complaint against Dave and its co-founder and CEO, Jason Wilk, alleging violations of the FTC Act and the Restore Online Shoppers’ Confidence Act (ROSCA). The complaint amended and replaced an earlier FTC action by adding Jason Wilk as a defendant and seeking civil penalties.

The DOJ and FTC alleged many of the same complaints as Baltimore, including the advances of “up to \$500” with no hidden fees, the undisclosed “express fees” for instant funding, and misrepresentations regarding tips. The government also alleged that Dave enrolled customers in recurring monthly membership fees without clearly and conspicuously disclosing material terms and without providing a simple mechanism to cancel, in violation of ROSCA. The DOJ sought consumer redress, civil penalties, and a permanent injunction.

On December 31, 2024, Dave Inc. issued a [response statement](#), saying the suit was “without any basis” and “a continued example of government overreach.” The company emphasized that it takes compliance and consumer transparency seriously and intended to defend itself.

Dave also provided an update on its ExtraCash product fee structure. To address concerns raised in the complaint about optional tips and express fees, the company eliminated both, making the fees mandatory and simplified. All new members joining on or after December 4, 2024, were placed on the new structure, and the transition for existing members was underway. Dave reported positive early results and expected full implementation by early 2025.

[1] See Complaint, *Mayor & City Council of Balt. v. Dave, Inc.*, No. C-24-CV-25-010691 (Md. Cir. Ct. Baltimore City Dec. 30, 2025).

[2] See Md. Code Ann., Com. Law § 12-301 et seq.

[3] See Past FTC and DOJ Scrutiny section.