

# Fintech Partnerships Under Scrutiny: Bank–Fintech Liability Allocation

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The rapid expansion of bank–fintech partnerships—particularly through banking-as-a-service (BaaS) models—has fundamentally reshaped the delivery of financial products. But as these relationships proliferate, so too does litigation risk. Many of the resulting disputes hinge on a familiar question: who is responsible when compliance fails?



At the core of these disputes is the fragmentation of regulatory obligations. In many partnerships, fintech companies manage the customer interface, onboarding, and transaction flow, while regulated banks retain responsibility for compliance with federal banking laws. This division, while commercially efficient, creates ambiguity when something goes wrong—particularly in areas such as anti-money laundering (AML), consumer protection, and funds custody.

Recent litigation and enforcement activity illustrate how quickly operational failures can escalate into legal exposure. The collapse of fintech middleware provider Synapse Financial Technologies is a prominent example. Following its bankruptcy, thousands of customer accounts were frozen, and tens of millions of dollars in funds were left unreconciled, triggering lawsuits between partner banks and fintech intermediaries over responsibility for missing customer funds. Parallel claims have focused on whether banks adequately supervised their fintech partners or whether fintech platforms failed to maintain accurate account records and controls.

Similarly, in 2026, Synapse and its affiliates faced litigation alleging failures in safeguarding customer funds, underscoring how intermediary platforms can become focal points for liability allocation disputes. These cases highlight a recurring theme: when responsibilities are contractually dispersed, plaintiffs tend to pursue all parties, leaving courts to untangle overlapping duties.

Regulators are reinforcing this trend. Enforcement actions increasingly treat compliance failures—whether in fraud monitoring, disclosures, or customer remediation—not as isolated operational issues, but as systemic legal violations. For example, recent actions against fintech platforms tied to payment processing and digital wallets have imposed penalties for inadequate fraud controls and delayed reimbursements, signaling that both banks and fintech partners may face liability for breakdowns in shared systems. In some cases, regulators

have also penalized banks directly for failing to manage third-party fintech risk, emphasizing that outsourcing does not absolve regulatory accountability.

Contractual indemnification provisions, long viewed as a primary risk allocation tool, are now under pressure in litigation. Though agreements often attempt to delineate responsibility for compliance functions, recent disputes reveal that indemnities may be insufficient where provisions are vague, capped, or misaligned with actual regulatory expectations. Moreover, where statutory liability is imposed (e.g., under consumer protection laws), courts and regulators may look beyond private contracts to assign responsibility based on control and oversight.

Another emerging litigation vector involves customer confusion and disclosure failures. In bank–fintech arrangements, consumers often interact exclusively with the fintech interface, unaware of the underlying bank relationship. This has led to claims that marketing practices—particularly those focused on FDIC insurance and account protections—are misleading, exposing both parties to liability.

Looking ahead, industry actors should expect continued activity in three areas. First, disputes over funds custody and reconciliation, particularly when multiple intermediaries are involved. Second, claims centered on compliance program failures, including AML, cybersecurity, and consumer protection obligations. Third, litigation testing the enforceability and scope of indemnification and risk allocation provisions in complex, multi-party agreements.

For banks and fintech companies alike, the takeaway is clear: partnership structures that blur operational responsibility will inevitably invite legal scrutiny. As regulators and plaintiffs focus less on form and more on function, liability will follow the party or parties deemed to have exercised control over the risk.

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