

IN THE IOWA DISTRICT COURT FOR POLK COUNTY

<p><b>STATE OF IOWA, <i>ex rel.</i> BRENNA BIRD,</b>  <b>ATTORNEY GENERAL OF IOWA,</b></p> <p>Plaintiff,</p> <p>v.</p> <p><b>GPD HOLDINGS LLC d/b/a COINFLIP,</b></p> <p>Defendant.</p>	<p>Equity No. _____</p> <p><b>PETITION</b></p>
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The Appendix filed attached to this complaint is incorporated here by reference.

## Introduction

1. Fraudsters and scammers update their deceptive practices to reflect new technology. Here, Defendants are misusing the popular excitement around technologies like Bitcoin and other cryptocurrencies to unfairly and deceptively put Iowa consumers in harm's way and take their piece of Iowans hard-earned money before sending the rest to scammers.
2. Cryptocurrencies are technologies often centered around recording transactions on a public register, or blockchain. The details of that technology can be complicated and nuanced. But what is not nuanced is using a veneer of association with cryptocurrencies to defraud consumers.
3. Defendant GPD Holdings LLC d/b/a CoinFlip (hereinafter "CoinFlip") profit when scammers profit because of the unfair and unsafe business practices easily allowing Iowans to send large sums of money to scammers—with a kickback to CoinFlip. So far, Iowa has identified more than \$13 million in fraudulent, scam payments processed through Coinflip "Bitcoin ATMs" (defined below).
4. A cryptocurrency kiosk is a physical kiosk or automated machine that allows consumers to insert physical cash to buy purely digital or virtual cryptocurrencies. CoinFlip runs a type of cryptocurrency kiosk that it refers to as a Bitcoin ATM, or BTM. CoinFlip's BTMs—at issue in this Petition—allow consumers to buy various crypto currencies, including Bitcoin. BTMs allow a consumer to insert cash into the machine, convert that cash into Bitcoin, and then send that Bitcoin to a "digital wallet"—all for a fee(s).
5. Although CoinFlip states that it requires consumers to send Bitcoin they buy through a BTM to a digital wallet owned by the consumer, CoinFlip regularly allows purchased Bitcoin to be sent to a third party's digital wallet.
6. CoinFlip profits from the fees it charges to buy Bitcoin and send it to someone else. CoinFlip gets paid when a scammer tricks an Iowan into using a BTM to send Bitcoin. Some scams that brutally victimize Iowans and send them to a BTM are: (i) romance scams-- sending Bitcoin to a fake love interest met online, (ii) law enforcement scams—sending Bitcoin to a fake sheriff or U.S. Marshal to avoid criminal charges or arrest, (iii) refund scams—sending Bitcoin to return the fake overpayment of a refund from a large company, or (iv) tech-virus scams—sending Bitcoin to save the consumer's laptop from a fake virus.

7. Scam calls and text messages targeting Iowans (and all Americans), particularly the elderly, are on the rise. BTMs are one of the key tools used to scam Iowa consumers. Each successful scam using a BTM is revenue for CoinFlip.
8. CoinFlip is the second largest BTM operator in the world. It has placed BTMs at around 54 Iowa locations. Its machines can be found in gas stations, grocery stores, and vape shops. Based on the total amount of transactions at Iowa BTMs from January 1, 2021, to June 10, 2024, CoinFlip is the largest BTM operator in Iowa.
9. CoinFlip knows scammers frequently send fraud victims to its BTMs, but it fails to take meaningful action to protect Iowa consumers. That is because it is not in CoinFlip's economic interest to take meaningful actions to decrease fraudulent transactions. While CoinFlip reaps profits from Iowa consumers who are the victims of fraud, Iowa consumers are embarrassed and, even worse, face financial hardship, bankruptcy, social isolation, stress or depression after being scammed into using BTMs. Consumers overwhelmingly fail to receive any consumer or competitive benefit from BTMs.
10. CoinFlip's business model is so co-dependent on the success of scammers that there may be no way to operate a profitable BTM in Iowa that is not an unlawful act under Iowa's Consumer Fraud Act ("the Act").
11. Offering Iowans an unsafe money transfer service through a physical machine located in a gas station or vape shop to buy purely digital assets at unclear exchange rates and for high fees is not innovative or beneficial to consumers. Instead, it is an unlawful, "unfair practice" under the Act: "an act or practice which causes substantial, unavoidable injury to consumers that is not outweighed by any consumer or competitive benefits which the practice produces." Iowa Code § 714.16(1)(i).
12. The Attorney General's Office has reasonably found that scam transactions processed through Iowa BTMs between January 1, 2021, to June 10, 2024, totaled at least \$13,182,625.
13. CoinFlip profited from those scam transactions. CoinFlip's policies for use of its BTMs do not adequately protect Iowa consumers or prevent scam transactions. CoinFlip also fails to follow its own inadequate policies. The existing policies; lack of their enforcement; and lack of additional, needed safeguards create an environment where the

- “substantial unavoidable injury to consumers” far outweighs any “consumer or competitive benefits” that BTMs offer (if any). Iowa Code § 714.16(2)(a).
14. CoinFlip’s business model also employs deceptive practices in its Bitcoin pricing. The cost to purchase Bitcoin at a BTM is often much higher than the cost to purchase on a cryptocurrency exchange, and CoinFlip does not want consumers to know the true cost. CoinFlip hides the cost to BTM consumers in a way that has a “tendency or capacity to mislead a substantial number of consumers as to a material fact or facts.” Iowa Code § 714.16(1)(c). CoinFlip’s flat fee of around \$3.00 is relatively clear, but an additional “Transaction Fee” (as described below) increases the total fee to Iowa consumers to an additional amount in excess of 20% of the total transaction amount.
  15. CoinFlip offers no refund policy related to scam transactions, further cementing CoinFlip’s profits from Iowa scam victims and showing there is no release valve that could undo a portion of the harm Iowa consumers face from CoinFlip’s unfair and deceptive acts or practices.
  16. After increased complaints from consumers and law enforcement regarding Iowa scam victims who placed large sums of money into BTMs in the course of their victimization, the Attorney General’s office initiated an investigation into the BTM operators in the State, including CoinFlip.
  17. At best, CoinFlip is a willfully blind participant in the victimization of hundreds of Iowans. At worst, it is a silent partner to many scammers preying on Iowans, taking a cut of each scam with its excessive and deceptive BTM fees that are further paired with a no refund policy.
  18. The State seeks a preliminary and permanent injunction under the Act to (i) enjoin Defendant from engaging in the deceptive and unfair acts described in this Petition whether that be by (a) a permanent ban from doing business in Iowa or (b) placing additional safeguards and scam prevention requirements on the operation of BTMs in Iowa; and (ii) impose all other injunctive relief the Court finds equitable.
  19. The State also seeks civil penalties, reimbursement, disgorgement, and other costs and fees permitted by the Act given CoinFlip’s deceptive and unfair conduct, which has harmed and continues to harm Iowa consumers.

### **I. Jurisdiction**

20. This Court has jurisdiction over this matter under Iowa Code § 714.16(7).
21. This Court has jurisdiction over the Defendant under Iowa Code § 714.16 because the Defendant has transacted business within the state of Iowa at all times relevant to this complaint.
22. Polk County is the proper venue under Iowa Code § 714.16(10) because Defendant transacts business in Polk County through numerous physical BTM locations in Polk County. Additionally, transactions upon which this action is based occurred in and some victims reside in Polk County.

### **II. Parties**

23. Plaintiff is the State of Iowa, *ex rel.* Brenna Bird, Attorney General of Iowa. Under Iowa Code § 714.16(7), the Attorney General may seek civil enforcement of the Iowa Consumer Fraud Act.,
24. Defendant GPD HOLDINGS LLC (d/b/a CoinFlip, Inc.) is a Delaware corporation with its principal place of business in Illinois and its executive offices located at 433 W. VAN BUREN STREET, SUITE 1050N, CHICAGO, IL, 6060. GPD HOLDINGS LLC is registered with the Iowa Secretary of State to do business in the State of Iowa under business number 638151. The company lists its registered agent as “UNITED AGENT GROUP INC.” located at 3106 INGERSOLL AVENUE Des Moines, IA 50312.
25. At all relevant times, CoinFlip transacted business in Iowa by marketing, promoting, advertising, offering its services/products for sale which include allowing consumers access to its BTMs to purchase Bitcoin.

### **III. Factual Allegations**

26. CoinFlip advertises itself as the owner of one of the largest BTM networks worldwide. CoinFlip claims that it operates a network of over 5,500 BTMs around the US and several other countries. *About Us*, CoinFlip, 2022, available at <https://coinflip.tech/about> (last visited Feb. 17, 2025). From January 1, 2021, to June 10, 2024, the company operated approximately 54 BTMs in Iowa.
27. CoinFlip uses retail partnership contracts to place its BTMs in convenience stores, grocery stores, liquor stores, vape shops, and gas stations.

28. CoinFlip reports it has conducted at least \$4 billion in transactions since the company's inception with more than 500,000 customers. *Id.*
29. From January 1, 2021, to June 10, 2024, CoinFlip processed more than [REDACTED] transactions, totaling more than [REDACTED] in the state of Iowa. Over \$13 million in transactions processed through a CoinFlip BTM have been identified as a scam transaction. The Attorney General has spoken to or analyzed data related to the top 20 users of CoinFlip's BTMs in Iowa (based on total BTM deposits during the time period). The transactions of all 20 users occurred because of a scam. These individuals alone represent over \$7.3 million in transactions.
30. The Attorney General's office reasonably believes the number of scam transactions will only grow as more consumers are contacted.
31. Also, based on an analysis of data provided from CoinFlip and other data related to Bitcoin addresses and digital wallets, the Attorney General's office has reason to believe that at least [REDACTED] of CoinFlip's transactions are either fraudulent, sent from accounts that were later banned, or were sent to addresses later blacklisted (meaning flagged for fraud) by the company itself.

**A. BTMs and Scams Go Hand-in-Hand**

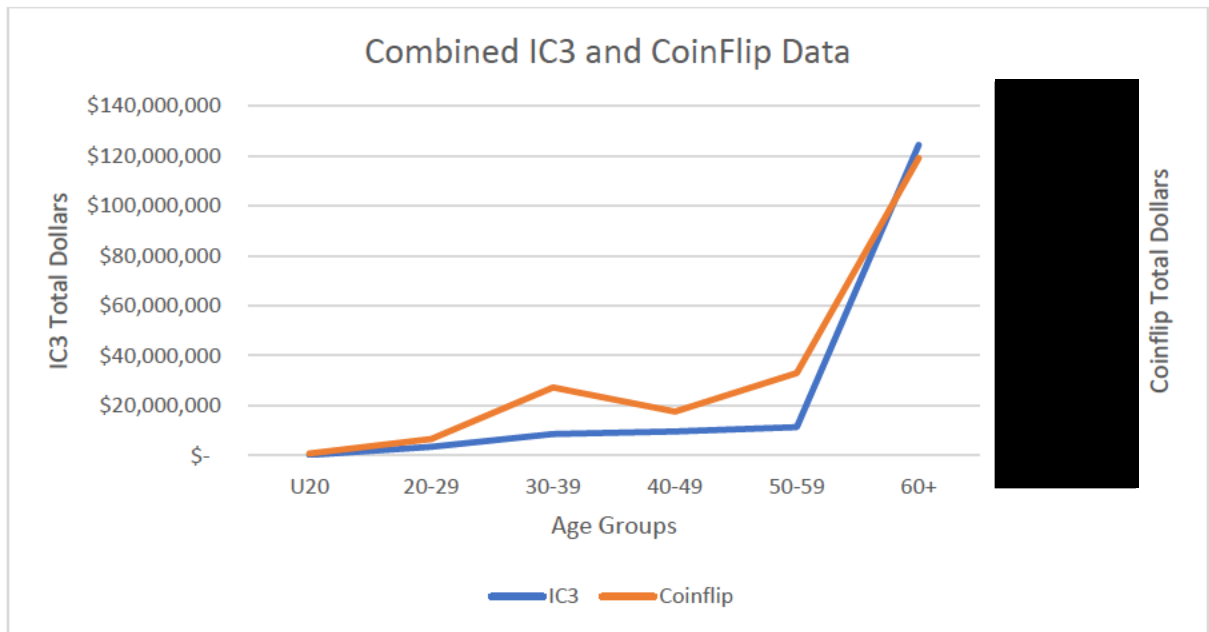
32. Cryptocurrency surged as a payment method for scams in recent years because it is portable and difficult to trace.
33. Widespread access to cryptocurrency kiosks including BTMs helps make this possible. Reported losses using cryptocurrency kiosks are overwhelmingly related to government impersonation, business impersonation, and tech-support scams. "New FTC Data Shows Massive Increase in Losses to Bitcoin ATM Scams." Federal Trade Commission, 3 Sept. 2024, [www.ftc.gov/news-events/news/press-releases/2024/09/new-ftc-data-shows-massive-increase-losses-bitcoin-atm-scams](https://www.ftc.gov/news-events/news/press-releases/2024/09/new-ftc-data-shows-massive-increase-losses-bitcoin-atm-scams).
34. Since most fraud is not reported, these numbers likely represent only a fraction of the actual harm. One study showed only 4.8% of people who experienced mass-market consumer fraud complained to a Better Business Bureau or a government entity. Anderson, Keith B. "To Whom Do Victims of Mass-Market Consumer Fraud Complain?" *SSRN Electronic Journal*, 2021, <https://doi.org/10.2139/ssrn.3852323>.

35. The Federal Trade Commission estimates that fraud losses at cryptocurrency kiosks have skyrocketed, increasing nearly tenfold from \$12 million in 2020 to \$114 million in 2023 and topping \$65 million in the first half of 2024. Emma Fletcher, Bitcoin ATMs: A payment portal for scammers, FTC (Sept. 3, 2024), <https://www.ftc.gov/news-events/data-visualizations/data-spotlight/2024/09/bitcoin-atms-payment-portal-scammers>.
36. In the first six months of 2024, the median reported loss was \$10,000 when using cryptocurrency kiosks, \$5,400 when cryptocurrency was the reported payment method (including reports with and without using cryptocurrency kiosks), and \$447 in general fraud cases. FTC data shows that older adults are less likely to report fraud than younger adults and have even higher individual median dollar losses. Protecting Older Consumers 2023-2024, A Report of the Federal Trade Commission at 17 (Oct. 18, 2024), [https://www.ftc.gov/system/files/ftc\\_gov/pdf/federal-trade-commission-protecting-older-adults-report\\_102024.pdf](https://www.ftc.gov/system/files/ftc_gov/pdf/federal-trade-commission-protecting-older-adults-report_102024.pdf). This is significant; as noted below, most Iowans using BTMs are age 60 or older.
37. The following chart, created by the FBI’s Internet Crim Complaint Center, shows reported scams and losses increase with age.

USE OF CRYPTOCURRENCY KIOSKS REPORTED IN IC3 COMPLAINTS – 2023

Age Range	Complaints	Losses
Under 20	65	\$252,198
20 - 29	416	\$3,529,680
30 - 39	451	\$8,651,706
40 - 49	391	\$9,634,346
50 - 59	476	\$11,409,372
Over 60	2,676	\$124,332,127

- “2023 Cryptocurrency Fraud Report Contents,” Internet Crime Complaint Center, available at [https://www.ic3.gov/annualreport/reports/2023\\_ic3cryptocurrencyreport.pdf](https://www.ic3.gov/annualreport/reports/2023_ic3cryptocurrencyreport.pdf)
38. Similarly, CoinFlip’s transaction amounts increase by age as shown by the following chart that provides an overlay of what Iowa BTM transactions and IC3’s Reported Losses to Fraud look like when broken into the IC3 chart’s age brackets. As the chart shows, the trends for IC3 scam victims and Iowa BTM users closely and sadly align.



**B. CoinFlip Represents Its BTMs are Safe and Trustworthy, But Allows Pervasive Scam Transactions Across Its Iowa BTMs**

39. Contrary to its stated focus on fraud prevention, CoinFlip’s records show its inability to prevent scam transactions processed through its Iowa BTMs. It is clear from CoinFlip’s internal data that its policies and BTMs are causing Iowa consumers “substantial, unavoidable injury” that far outweighs any consumer or competitive benefits. Iowa Code § 714.16(1)(i).
40. CoinFlip publicly states the safety of its BTMs while scam transactions at Iowa BTMs continue to occur regularly.
41. In a blog post entitled, “Are Bitcoin ATMs Safe?” published on the company’s website, the author states, “If you have cash and want to buy bitcoin, an ATM is a safe option.”
42. In another blog post titled, “How to Buy Bitcoin with Cash Safely: Coinflip Bitcoin ATMs, the CoinFlip team writes: “CoinFlip Bitcoin ATM terminals are the safest and easiest solutions for cash cryptocurrency investments.”
43. CoinFlip also states, “About 40% of Americans own crypto, and some like to use cash to buy and sell it. Crypto kiosks give consumers a safe and convenient way to do just that.” The company claims it has robust controls: “Coinflip controls transactions from end to end, with robust Anti-Money Laundering and Know your Customer protocols, and efficient fulfillment of customer orders to reduce consumer’s bitcoin price risk.”



44. The following graphic sums up CoinFlip’s position that its BTMs are safe and even goes a step further to state that CoinFlip’s scam education at its machines “empower users to make informed decisions.”

**How It Works: Making Transactions Simple, Safe & Transparent**  
Coinflip controls transactions from end to end, with robust Anti-Money Laundering and Know Your Customer protocols, and efficient fulfillment of customer orders to reduce consumer’s bitcoin price risk



**1. Safety First**  
When customers visit the kiosk, CoinFlip provides education and warnings on common scam tactics to empower users to make informed decisions. The company also collects required KYC information, a vital safeguard for the financial ecosystem.

**2. Transparent**  
The price, inclusive of the transaction and network fee, is fully displayed and then the customer places the order.

**3. Efficient**  
CoinFlip sends the crypto to the customer for the order minus network and transaction fees.

**4. Reliable**  
CoinFlip offers 24/7 live customer support to assist users every step of the way. The team receives ongoing training related to compliance requirements and financial crime typologies with an emphasis on fraud prevention.

App. 4.

45. CoinFlip knows that many of the transactions it is asked to process are coerced or unwilling transactions initiated by or at the behest of scammers. CoinFlip’s training and compliance documents speak at length about the dangers of money transfers, the prevalence of scams, and the various ways to identify potential scams.
46. Despite CoinFlip’s public-facing statements about its concern for fraud or scams, reality paints a different picture.
47. Transactions where an individual sends money to a digital wallet that a different consumer has already sent money to are processed regularly, despite CoinFlip stating the wallet must be controlled by the person sending the money.
48. CoinFlip’s records also show that from January 1, 2021, to June 10, 2024, \$16,531,995 was transferred by Iowa BTM users who were later banned by the service. Many of these individuals simply created new accounts and continued using the service.
49. \$12,955,025 was transferred by Coinflip during January 1, 2021, to June 10, 2024, to digital wallets that CoinFlip later placed on a blacklist. Coinflip’s general operating

procedure for when an individual attempts to send money to blacklisted wallets is to simply ask them to use a different wallet.

50. CoinFlip's records include many other obvious warning signs of fraud, including:
- a. *CoinFlip's consumer base is overwhelmingly older.* CoinFlip acknowledges in its training documents that, "one of the fastest-growing forms of fraud is elder financial exploitation." The document continues, stating, "people who are manipulated in this way often don't realize that they are victims." Despite this awareness and even though a large percentage of its Iowa BTM revenue comes from Iowans aged 60 or older, CoinFlip has failed to implement adequate policies to protect this vulnerable population. Whether intended or not, CoinFlip's typical user in Iowa is an older Iowan and a scam victim.
  - b. *Many CoinFlip users have multiple accounts.* CoinFlip knows that at least 311 Iowa BTM users with the same first and last name have at least two accounts. Most of these people have indicators that would suggest they are the same person (for example the same home address). One Iowa user has what appears to be 21 different distinct customer IDs. Coinflip records show that Iowa user used the same Coinflip machine (located in Des Moines) 21 times on 2 different days. Each transaction, occurring minutes apart, was for \$900. Due to CoinFlip's poor screening, the user placed a total of \$18,760 into a CoinFlip machine without ever triggering any higher review, or even the requirement to provide a government ID.

CoinFlip claims to apply heightened scrutiny to accounts over lifetime usage and must under the law make reports for unusual and/or suspicious activities involving transactions over certain amounts. Allowing a user to deceptively open multiple accounts enables him or her to evade such scrutiny.

- c. *Multiple CoinFlip users sent money to the same Bitcoin address.* A Bitcoin address is a string of letters and numbers that functions like an email address. Bitcoin can be sent to that specific string of letters and numbers and the user at the other end can receive Bitcoin at that address. Like an email address, anyone who knows the address can send Bitcoin to that address. CoinFlip makes users verify that they own and control the Bitcoin address to which they send money. Every user must affirm the following: "I attest that I am sending my funds to a wallet I own or directly have

control over.” The reason for this is because unlike cash in a bank account, a person holds the keys to where his or her Bitcoin is held. It is virtually impossible for someone else to access a Bitcoin wallet unless they have the wallet’s credentials. Once Bitcoin is given over to someone it is very hard to take it back.

Nevertheless, CoinFlip routinely ignores the red flags it has identified to consumers and transfers money to addresses that (i) multiple users have claimed to “own” and (ii) CoinFlip’s own data shows is claimed by multiple users and thus likely fraudulent.

From January 1, 2021, to June 10, 2024, Coinflip sent money from 10 distinct users to the same two Bitcoin addresses. The first address had 45 associated transactions from different users of \$900 each transaction, for a total of \$40,489. The second address had 51 associated transactions from different users of \$900 each, for a total of \$45,860. Data related to each address shows that the money was quickly transferred out of the wallet each time. Despite these clear violations of CoinFlip’s user agreements and red flags for fraud, all 10 users were never flagged or banned from using CoinFlip services. All but one of the users was never required to enter a date of birth. Rather than notify the users, freeze the accounts, blacklist the wallets, or take any action to protect Iowans, the company continued to process the transactions making over \$7,000 in fees to look the other way.

In data provided to the Attorney General’s office, there are 586 Bitcoin addresses which had more than one distinct Iowa BTM user sending money to the address. If Iowa transactions were cross-referenced against CoinFlip’s data from around the country that number will almost certainly increase. This is because the data examined by the Iowa Attorney General’s office includes transactions occurring in Iowa at BTMs. It doesn’t include the data CoinFlip has from its online sales, app sales, or from the other 5,500 or so BTMs not located in Iowa.

- d. Users have a large amount of Bitcoin addresses and are connected to multiple wallets.* A Bitcoin address can be thought of as an account holding all Bitcoin sent to it. Each Bitcoin address is associated with a digital wallet. The owner of the digital wallet is the owner of each Bitcoin address associated with that wallet. Of the more than 4,206 distinct user IDs who used CoinFlip’s machines in Iowa from January 1,

2021, to June 10, 2024, approximately 2,025 of those Iowa consumers used more than one Bitcoin address, with 513 using 10 addresses or more. For example, one Iowa user and confirmed scam victim (age 74), was eventually blacklisted by CoinFlip, but not before he sent \$291,075 on a CoinFlip BTM using 205 distinct addresses.

One reason for a person to have so many wallets is to ensure that if law enforcement finds or shuts one down, that the damage is limited. Or, if a company actually performing consumer protection duties flagged a wallet as likely belonging to a scammer, having more than 80 alternative wallets could be one way to skirt enforcement. For CoinFlip, a company by its own admission which typically serves less sophisticated users of cryptocurrency, older users depositing their money into numerous addresses linked to multiple wallets at CoinFlip BTMs should trigger further investigation by CoinFlip.

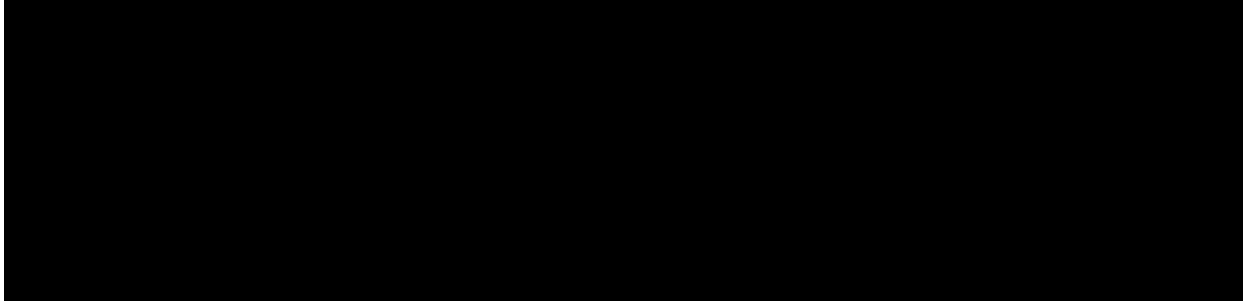
- e. *CoinFlip allows users who are under 18 years old to use its services, despite its Terms of Service.* From January 1, 2021, to June 10, 2024, CoinFlip processed 36 transactions for Iowa BTM users who identified themselves as under 18. There is an additional \$3,373,000 in transactions where CoinFlip did not require the user to provide a date of birth at all. It is clear that this is a feature of the service, and not a bug. In an interview, (then) Head of Business Development at Coinflip, Dustin Wei stated, “I got into crypto and ATM’s specifically, because as someone who was under 18, it’s kind of hard to buy crypto because I don’t have a bank account, and when I did, they actually banned me because I was buying crypto with my bank account. So, my only resort was bitcoin ATMs. [CEO Daniel Polotsky interjects] “Was Coinflip” [Wei] Yeah exactly, was Coinflip.” Crypto Campfire Podcast, *Crypto ATMs vs. Face-To-Face Bitcoin Trading, Finance Regulation, & 7-Toed Cats W/ CoinFlip ATMs*, YouTube, 1 Sept. 2019, [www.youtube.com/watch?v=dcz3hrlqYps](http://www.youtube.com/watch?v=dcz3hrlqYps). This shows that CoinFlip is asleep at the wheel and not looking to enforce the policies in its Terms of Service including scam prevention.

**C. CoinFlip’s Policies Are Insufficient to Address the Known Issues Related to Scams**

- 51. CoinFlip has several policies and programs related to fraud including, but not limited to, its “Compliance Program,” its “Know Your Customer Policy,” and its “Enhanced Due

Diligence Policy.” These programs fail to adequately and effectively detect and prevent consumer fraud and scam transactions processed through CoinFlip’s Iowa BTMs.

52. In addition to its anti-fraud program, CoinFlip is required by the Bank Secrecy Act to have an effective anti-money laundering (“AML”) program to prevent money laundering. 31 C.F.R. § 1022.210. That prevention responsibility includes, but is not limited to, the flow of illicit funds, such as funds derived from fraud. As part of its AML program, CoinFlip has developed “Know Your Customer” guidelines and policies along with policies and procedures for monitoring transactions, customers, and agent activity for risks, including suspicious activity.
53. AML legal requirements are distinct from compliance responsibilities under the Act. But all policies implemented under the umbrella of AML have failed in preventing CoinFlip’s business acts and practice from causing “substantial, unavoidable injury” to Iowa consumers. Iowa Code §714.16(1)(i). Those policies are either inadequate or ineffective due to CoinFlip’s failure to enforce and follow the policies. Either way, CoinFlip’s money-transfer system is an unfair or deceptive act or practice that is unlawful under the Act.
54. CoinFlip’s primary training documents for employees outline its approach to scams. In its training on [REDACTED]  
[REDACTED]  
[REDACTED]
55. However, CoinFlip’s practices make it clear that CoinFlip’s goal is not to stop or interrupt scams, unless and until the scam victim admits to CoinFlip that he or she is in fact the victim of a scam (and it may take multiple admissions). If an individual does not admit so, CoinFlip’s policy appears to be to disclaim and warn the user but to allow future transactions. Warnings are frequently given to consumers who are caught sharing accounts, using multiple accounts, and using wallets known to belong to third parties.
56. For example, CoinFlip’s training document provides:



App. 78.

57. Even when an Iowa user is “banned” from using CoinFlip, he or she need only provide a new telephone, and even if he or she uses the same home address and date of birth, the user will be allowed to continue his or her use of CoinFlip’s services.

58. Further, CoinFlip is more interested in protecting itself (and its bottom line) than protecting Iowa consumers and preventing scams. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

59. Rather than take a protective and proactive approach to preventing prevalent scam transactions across Iowa BTMs, CoinFlip chooses to simply show a vague warning to victims and make clear to them that there will be no recourse or refund for them when they eventually realize that they are another Iowa scam victim that used a CoinFlip BTM.

*Id.*

**D. CoinFlip’s Warnings Are Ineffective at Preventing Scam Transactions**

60. CoinFlip’s primary method of preventing scam victims from using a BTM is to place onscreen warnings and sticker warnings on the machine. Below are examples of the warnings:

cancel

## Customer Notice. Please Read Carefully.

Did you receive a phone call from your bank, Microsoft, the police, FBI or were you directed to make a payment for social security, utility bill, investment, warrants, or bail money at this kiosk? STOP and call CoinFlip.

Is anyone on the phone pressuring you to make a payment of any kind? STOP and call CoinFlip.

I understand that all transactions are final and non-refundable.

I agree to receive reoccurring text messages from CoinFlip for identity verification, receipts, and other account notifications at the number provided. Msg/Data rates apply. Msg frequency varies. Carriers are not liable for delayed or undelivered messages. HELP for Help, STOP to cancel. Text Terms: (<https://coinflip.tech/terms/sms-messaging-terms-and-conditions>)

I confirm I am sending funds to a wallet I own or directly have control over. I confirm that I am using funds gained from my own initiative to make my transaction.

I agree to the Terms, Privacy Policy, and Privacy Notice.

Terms

Privacy Policy

Privacy Notice

I agree

GB COINFLIP  
INFORMATION REQUESTED PURSUANT TO IOWA FOIA LAW

24/7 SUPPORT: 773-800-0106

## SCAM DISCLAIMER

If you answer **"Yes"** to any of these questions, **STOP!**

1. Are you being asked to make a financial transaction by someone you do not know?
2. Are you being told to act quickly or secretly under threat? Are you being asked to lie?
3. Does the offer seem "too good to be true" or like "easy money?"
4. Are you being asked to pay a government fine or bill using cryptocurrency or gift cards?
5. Is an online romantic interest asking you to transfer or deposit money into a kiosk or other bank account?
6. Is someone asking for cryptocurrency to secure a job, remove a computer virus, clear a warrant, or secure your bank account?

If you answered **"Yes"** to any of these questions, **STOP** and call Customer Support at 877-757-2646.

Select **"OK"** to continue

OK

GB COINFLIP  
INFORMATION REQUESTED PURSUANT TO IOWA FOIA LAW

24/7 SUPPORT: 773-800-0106



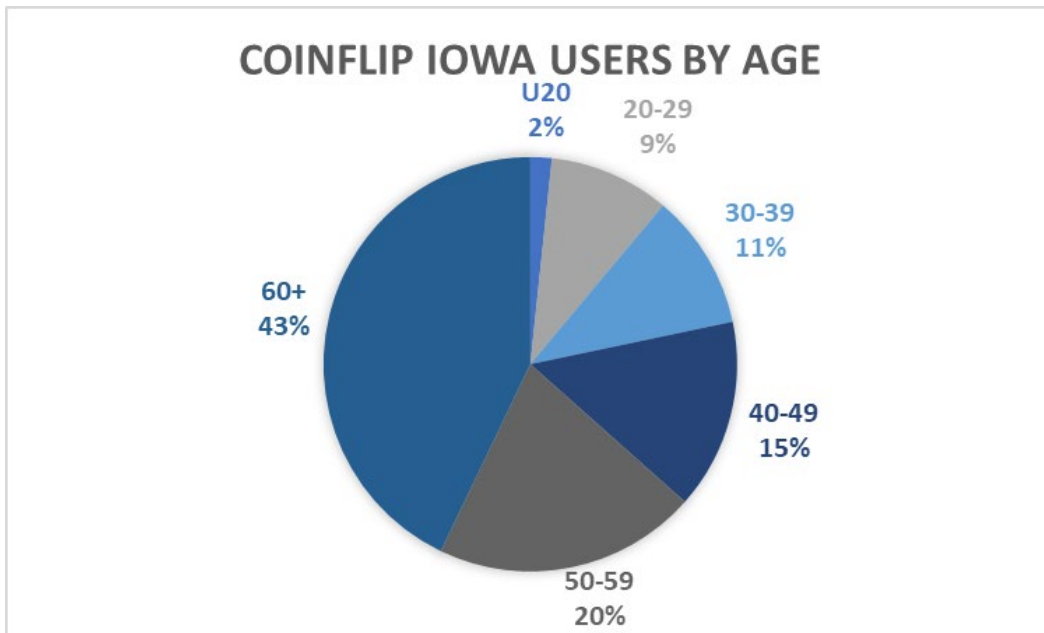
61. These warnings are insufficient to protect Iowa scam victims and CoinFlip knows it. CoinFlip only needs to look at its data as the proof is in the pudding. A review of the best studies on warnings, shows that scammers disrupt a person’s ability to reason and in the moment warnings often fail. A Review of Scam Prevention Messaging Research, Federal Trade Commission, available at: [https://consumer.ftc.gov/system/files/consumer\\_ftc\\_gov/pdf/A%20Review%20of%20Scam%20Prevention%20Messaging%20Research.pdf](https://consumer.ftc.gov/system/files/consumer_ftc_gov/pdf/A%20Review%20of%20Scam%20Prevention%20Messaging%20Research.pdf). The sheer volume of transactions confirmed as scams to date show this method is ineffective. CoinFlip does not often call to speak with its customers to prevent a scam even in most scenarios raising a red flag. Something as easy as a call could make a major difference as noted by a scam victim in a recent news story who (i) said it was possible there was a warning on the machine he skipped passed, and (ii) went on to state “If somebody called me and said, ‘Wait a second, what are you doing? Why are you putting in so much money, and do you have more money you’re going to put in?’ that would have saved me. . . .” “To fight scams, Senate bill would limit transactions at crypto ATMs,” *available at*, <https://www.nbcnews.com/news/us-news/senate-crypto-atm-bitcoin-scam-rcna193495> (last accessed February 25, 2025).



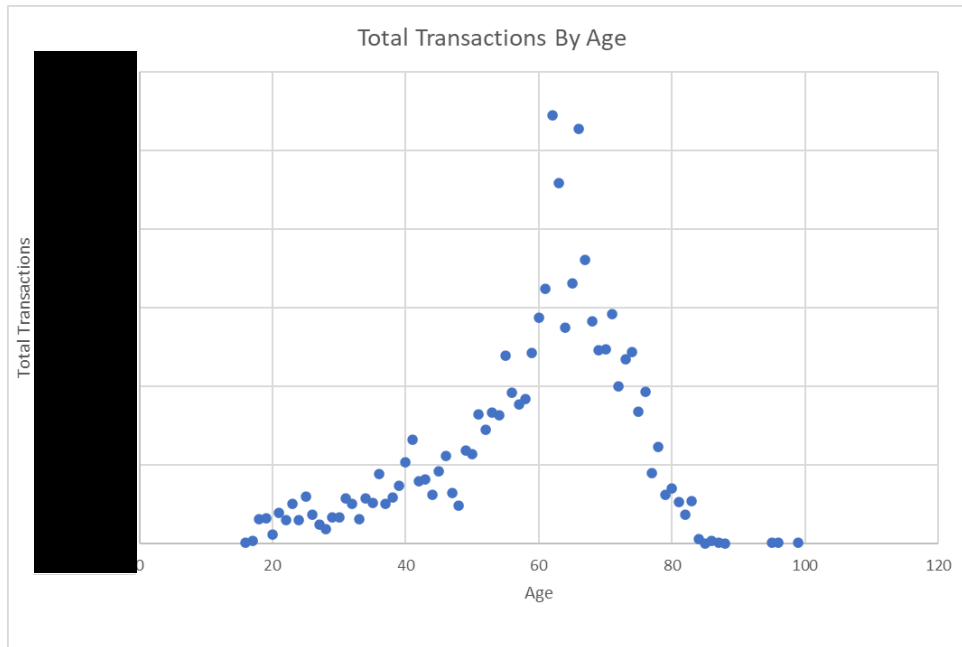
**E. The Demographic Markets in Iowa for Scam Victims and BTMs Are Older Iowans**

62. CoinFlip competes with online exchanges, which sell consumers Bitcoin at a significantly lower net cost than CoinFlip BTMs. CoinFlip targets less sophisticated users who prefer to use cash. It often describes its target audience as the unbanked or underbanked.
63. Then Chief Operating Officer and Current CEO and cofounder of the company, Ben Weiss, described the target audience as follows:
- “There was this issue of how hard it is to get bitcoin, especially if you don’t have a bank account, or if you’re unbanked or if you just want to buy fifty dollars, a hundred dollars. So, we saw the need for the ATMs and we saw all these unbanked and underbanked communities who were kind of being left out of this financial revolution that was supposed to be a democratizing force, so that’s why we went the ATM route instead of the exchange route.” Crypto Coin Show, *Blockchain Interviews - Ben Weiss, COO of CoinFlip Bitcoin ATMs*, YouTube, 13 Oct. 2020, [www.youtube.com/watch?v=iBORIRY6sm4](http://www.youtube.com/watch?v=iBORIRY6sm4).
64. In the same interview, he states, “A lot of these people who are going to the ATMs are beginning investors, they want to get into bitcoin, but you know they need more support, more customer service than someone who’s been doing this for five or six years.” *Id.*
65. Mr. Weiss has also stated, “We wanted to make it for the average consumer. Like my mom, she writes checks. She goes into bank branches. We didn’t see any equivalent of that for cryptocurrency.” Fintech Nexus, “Podcast #77: Ben Weiss of Coinflip.” YouTube, 25 Jan. 2023, [www.youtube.com/watch?v=HyCNY6rv02Q](http://www.youtube.com/watch?v=HyCNY6rv02Q).
66. Cofounder and (at the time CEO) Daniel Polotsky stated, “I would say a plurality of people, like 40 to 50 % are just buying and holding. And not doing anything, just speculating on the price, and using it as their bank, which I think is cool.” Polotsky explained “I don’t think bitcoin is ready to be spent on low ticket items because the price is too volatile.... It’s a little too volatile.”
67. Polotsky also stated, “I think right now, that people definitely do use bitcoin to buy things, but it’s more like high ticket items like Ferraris or Lambos or houses, you know, it’s not like for a bag of chips.”

68. However, the data from CoinFlip tells a starkly different story:
- a. Its business model depends on a small number of high-volume users;
  - b. Its primary audience is, in fact, older individuals with large sums of assets who bank; and
  - c. Most of its largest customers (by total transaction amount) use dozens of bitcoin addresses and wallets, often quickly transferring the money out of the wallets into a wide variety of foreign based exchanges.
69. The top 20 percent of Iowa users by total transaction(s) size accounted for █████ of all money processed through CoinFlip’s Iowa BTMs from January 1, 2021, to June 10, 2024. The bottom 60% of Iowa users account for 15% of all money put into CoinFlip’s BTMs.
70. The chart below was created using CoinFlip’s data provided to the Attorney General’s office. It shows a breakdown of CoinFlip’s Iowa users from January 1, 2021, to June 10, 2024, by age. Approximately 43% of its users in Iowa are 60 years old or older.



71. The targeting of older Iowans becomes even more evident when shown as the total amount of money placed into CoinFlip’s Iowa BTMs between from January 1, 2021, to June 10, 2024, based upon the age of the customer, as shown below:



72. Older Iowans use BTMs the most. Though Iowans who are 60 years old or older represent 43% of users, 58% of the money CoinFlip took from Iowans from January 1, 2021, to June 10, 2024, came from individuals in this group. 62-year-olds put the most money into Iowa Coinflip BTMs, accounting for approximately [REDACTED]. The average age of CoinFlip’s top twenty users in Iowa is 67.4 years old. 78-year-olds were the age group with the highest average amount per customer of approximately [REDACTED].
73. CoinFlip and scammers are both profiting from older Iowans.

**F. CoinFlip’s Profitability in Iowa Depends on Iowa Scam Victims**

74. CoinFlip could do more to prevent scam transactions, but such policies would reduce its profits:
- a. *CoinFlip Underutilizes Bitcoin Tracking Capabilities.* Inherent in Bitcoin is the ability to track Bitcoin transactions, as every transaction is recorded in the currency. CoinFlip has access to Elliptic software, which traces Bitcoin transactions. Elliptic uses a mix of proprietary and publicly available tools to follow the money. CoinFlip could use Elliptic to identify and stop scams faster and at a higher rate. But rather than stopping suspicious transactions, employing blockchain analytics software to analyze transaction patterns, or questioning users, CoinFlip collected fees.

CoinFlip’s internal data provides examples of how easily it could detect and stop scams, even using publicly searchable digital wallet databases instead of the

expensive software CoinFlip already has. The Attorney General's office has employed similar software on many of CoinFlip's largest customers and identified many clear indicators of fraud. For example, one older Iowan interviewed by the Attorney General's office claimed he was not a victim of fraud. He claimed that he put \$151,000 into a CoinFlip BTM to help fund orphanages in Africa. The Attorney General's office analyzed the five Bitcoin addresses he sent the most money to and found the addresses were tied to a porn site, an online gambling site, and Russian and Iranian based fraud shops. When the Attorney General approached the elderly man with this information, he admitted he was in a romance scam and was too ashamed to initially tell the truth.

b. *CoinFlip Fails to Use its Machine's Surveillance Abilities.* Each BTM has an internet-connected video camera that can be accessed by CoinFlip remotely. Its policies allow CoinFlip's compliance teams to monitor transactions and prevent people who are posing as others or using multiple aliases from using the machine.

Many fraudsters maintain continuous phone contact with their victims so that they can keep them in a state of emotional distress. Few willing users attempt to use a BTM while on the phone, as entering information and placing physical bills into the machine generally requires two hands and the machine sends a text message as part of the transaction. CoinFlip could monitor Iowa consumers to identify clear red flags – such as being on the phone while using the machine – and further verify the transaction is legitimate in those circumstances.

c. *CoinFlip Provides No Training to Its Store Locations on How to Spot Scams.* Store clerks could be a key line of defense against fraud. The Attorney General's office spoke with a store clerk who said she often sees older people attempting to use the BTM located in her store. When she sees an older person with a stack of \$100 bills come in and he or she is on the phone or looks scared, she will speak to the individual and convince them that he or she is being scammed.

Yet, CoinFlip's lease agreements with these stores show that their focus is on making sure the stores protect CoinFlip's BTMs, not its customers. The contracts come with many requirements to make sure the BTM is available to consumers and none requiring the store to assist Coinflip in identifying scam victims. CoinFlip does

not appear to warn these locations of the danger that its machines are utilized in fraud or provide any training documents for the stores to be better equipped to help CoinFlip protect its consumers. Though CoinFlip doesn't help the stores protect its consumers from fraud, CoinFlip is quick to use its agreement to protect itself from liability for such fraud. The lease agreement attempts to protect CoinFlip from liability to the stores in the event of theft, vandalism, criminal acts, or a host of other eventualities.

**G. CoinFlip Profits From Iowa Scam Victims**

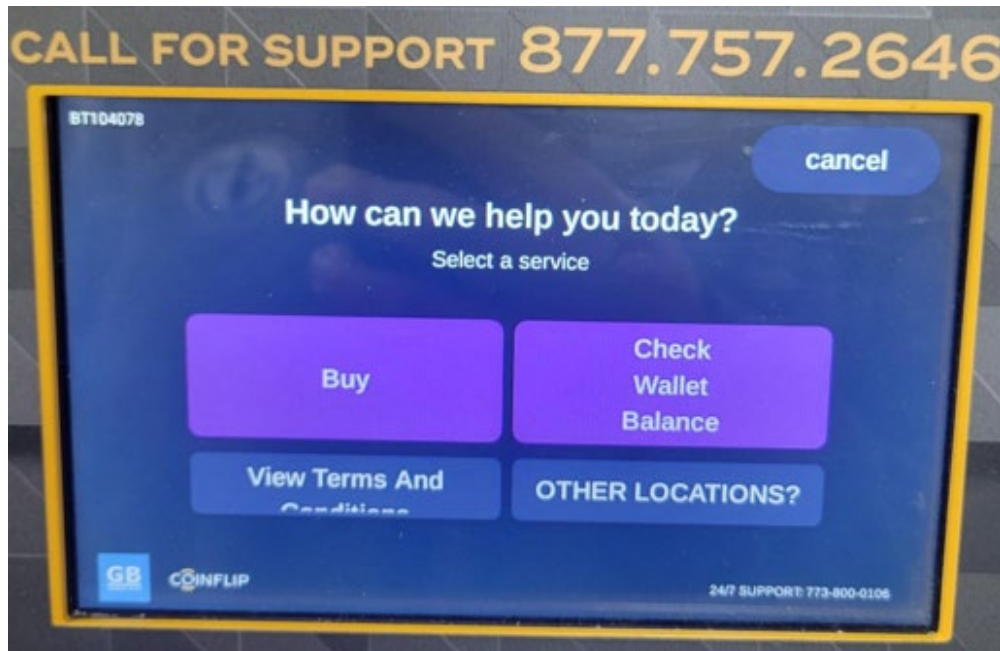
75. From January 1, 2021, to June 10, 2024, CoinFlip retained 10.86% of all money processed through its machines in Iowa. In total CoinFlip made more than \$5.4 million from Iowans, with millions of that money likely coming directly from scam victims.
76. So far, the Attorney General's office has reviewed data for CoinFlip's self-identified scam victims and contacted CoinFlip's Iowa BTM users. Of hundreds of people contacted, approximately 90% reported they were victims of a scam. All 20 of CoinFlip's top 20 users of Iowa BTMs by total transaction(s) size for January 1, 2021, to June 10, 2024, have been confirmed by the Attorney General's office to be scam victims.
77. Currently the total transaction value of confirmed scam transactions in Iowa from January 1, 2021, to June 10, 2024, is \$13,182,625.
78. The Attorney General's office reasonably believes this amount to rise significantly as more individuals are contacted and further forensic analysis is completed.
79. CoinFlip started as a business that attempted to compete on price. One of the inspirations for starting the company was that competitors charged such excessively high fees. Talking about his first time using a bitcoin ATM prior to starting the business, CoinFlip CEO Daniel Polotsky said "I went to the first ever bitcoin atm. The fees were crazy, it was probably like 12 percent." Funky Crypto Podcast, 39: Daniel Polotsky CEO and Founder of the Fastest Growing Crypto ATM Company Coinflip ATM., Sep. 17, 2020. <https://open.spotify.com/episode/5AWInN4d5eRO3WERNBNJ3p>.
80. Most businesses as they mature and are faced with competition must respond with lower prices. CoinFlip has more than doubled its rates (raising it six times) in the last 4 years without meaningfully changing the services offered at its BTMs.

81. CoinFlip’s combined fees to purchase Bitcoin through its machines is currently up to 21.90%, more than triple what the fees were when CoinFlip was a startup company.
82. At the same time, it has never been easier to buy Bitcoin elsewhere. Direct competitors have dramatically expanded their footprints (Bitcoin Depot, Athena, and RockitCoin to name a few), online crypto exchanges (Coinbase, Kraken, Binance) have improved their services, popular investment platforms (Fidelity, Charles Schwab, Robinhood) have added the ability to buy cryptocurrency, and payment apps (CashApp, Venmo, and PayPal) have added options to buy and sell crypto.
83. Current CEO and cofounder of the CoinFlip, Ben Weiss, explains CoinFlip’s growth and competitive advantage to charge high fees are a result of: “The ethos of being there for the customer every step of the way no matter how much or how little they know about crypto and about technology, and having our 24/7 customer support, I think it’s that unique white glove service that we offer that has allowed us to continue to grow throughout these years.” Fintech Nexus. “Podcast #77: Ben Weiss of Coinflip.” *YouTube*, 25 Jan. 2023, [www.youtube.com/watch?v=HyCNY6rv02Q](http://www.youtube.com/watch?v=HyCNY6rv02Q).
84. However, CoinFlip’s own internal data makes it clear that its “competitive advantage” is its symbiotic relationship with scammers. The scammers manipulate unwitting Iowans into using CoinFlip’s BTMs, unaware that they are being scammed and unaware they are being charged exorbitant rates. The scammers get the lion’s share of an Iowa victim’s money. CoinFlip, acting as the getaway vehicle, retains an ever-increasing percentage of the stolen money.

#### **H. CoinFlip Hides the True Cost of Using a BTM From Iowa Consumers**

85. CoinFlip engages in deceptive practices to conceal what it really charges an Iowa consumer to buy Bitcoin, including by:
  - a. Combining all three of its online, app, and kiosk services in its Terms of Service document presented to BTM users, so BTM users find it harder to determine which sections apply to them.
  - b. Calling the product a “Bitcoin ATM” and charging a “flat fee” around \$3, which confuses Iowans into thinking they are paying only around \$3.
  - c. Burying any explanation of the total actual fees (currently up to 21.90%) in the Terms of Service.

- d. Displaying information on screens and receipts in a way that increases the likelihood a consumer will not learn the true cost of the service.
86. Many Iowa consumers we interviewed were unaware of the amount of money they were charged to use the CoinFlip machines or under the impression that they paid a small service fee similar to a traditional bank ATM. CoinFlip encourages this belief by hiding the fees in an ambiguous “Transaction Fee” that is buried in its complex Terms of Service. However, CoinFlip makes sure to clearly highlight it’s small “flat fee.”
87. The cost of a product or service is a material term to a transaction. CoinFlip hides that material term related to its BTMs transactions in fine print that is confusing and designed to go unnoticed by Iowa consumers. CoinFlip interacts with Iowa consumers in three ways: at a BTM, online, and through its app. CoinFlip’s Terms of Service are different for each service, but rather than have separate terms of service for each, CoinFlip combines all three into one document. This forces consumers to scan an array of terms in an attempt to understand which may apply to their transaction.
88. Pew Research estimates that 22% of Americans either always or often read terms of service. 36% say they never read the terms of service. Auxier, Brooke, et al. “Americans’ Attitudes and Experiences with Privacy Policies and Laws.” Pew Research Center: Internet, Science & Tech, Pew Research Center: Internet, Science & Tech, 15 Nov. 2019, [www.pewresearch.org/internet/2019/11/15/americans-attitudes-and-experiences-with-privacy-policies-and-laws/](http://www.pewresearch.org/internet/2019/11/15/americans-attitudes-and-experiences-with-privacy-policies-and-laws/).
89. CoinFlip has the capability, if it wants, to track the time a person spends on screen and can monitor the person in real time using a camera on the machine, if desired. It knows that the vast majority of CoinFlip customers are not reading the Terms of Service to learn of the true fee structure. CoinFlip counts on consumers assuming the machine is like most traditional bank ATMs and that the fee to purchase Bitcoin at an Iowa BTM is the prominently displayed “flat fee.”
90. It is useful to view what a CoinFlip transaction looks like to an Iowa consumer. The following images were taken by the Attorney General’s office at a CoinFlip BTM.
91. After the BTM asks an Iowan to select a “Crypto Currency,” it shows the user the following screen, which includes an obscured “View Terms and Conditions” button.



92. If the Iowa user clicks the partially obscured button, he or she can then scroll through the lengthy Terms of Service viewed through a narrow portion of the overall screen to learn the details of the fee schedule.
93. Assuming an Iowan clicked on the “View Terms and Conditions” button, he or she would need to scroll to page 9 of 33 to locate the appropriate fee language. The Terms of Service include three different Fee schedules: “Fees at Kiosks and Cashiers,” “Fees for Coinflip Preferred Order Desk,” “Fees in the App.” There is then a paragraph that is titled “Market Price” that presumably applies to all three of the different Fee schedules included. The Fee and Market Price sections are as follows:

Fees

***Fees at Kiosks and Cashiers***

*You agree that by transacting at a Kiosk the Company may charge, and You will pay, a Transaction Fee and a Network Fee for each transaction You make. The Transaction Fee is calculated as a percentage of Your total transaction amount and ranges from 4.99% to 21.90% of the total transaction amount. The Network Fee is a fixed fee that does not depend on the size of Your transaction. The Transaction Fee and Network Fee are included in the exchange rate applicable to Your transaction. Before You make a transaction, we will tell You the exchange rate applicable to Your transaction. By proceeding with the transaction, You agree to*



*pay the exchange rate, including the Transaction Fee and Network Fee, and You agree to the other terms applicable to the transaction as set forth in these Terms. If You do not agree, You may not proceed with the transaction and must immediately discontinue Your use of the Services for that transaction.*

*The Transaction Fee is calculated as a percentage over the Market Price, as discussed fully in the paragraph above. The Transaction Fee and Network Fee are included in the exchange rate applicable to Your transaction. Before You make a transaction, we will tell You the exchange rate applicable to Your transaction. In other words, the Company will tell You: (1) the amount You must pay in fiat currency to purchase a certain amount of cryptocurrency from the Company or (2) the amount the Company will pay You in fiat currency to purchase a certain amount of cryptocurrency from You. By proceeding with the transaction, You agree to pay the exchange rate, including the Transaction Fee and Network Fee, and You agree to the other terms applicable to the transaction as set forth in these Terms of Service. If You do not agree, You may not proceed with the transaction and must immediately discontinue Your use of the Services for that transaction.*

***Fees for Coinflip Preferred Order Desk***

*You agree that CoinFlip Preferred may charge, and you will pay between 0.50% to 9.99% over the Market Price for purchases and be paid approximately 0.50% to 9.99% under the Market Price for sales of cryptocurrency (the “Transaction Fees”). The Transaction Fee and Network Fee are included in the exchange rate applicable to your transaction. Before you make a transaction, we will tell you the exchange rate applicable to your transaction. In other words, CoinFlip Preferred will tell you: (1) the amount you must pay in fiat currency to purchase a certain amount of cryptocurrency from CoinFlip Preferred or (2) the amount CoinFlip Preferred will pay you in fiat currency to purchase a certain amount of cryptocurrency from you. By proceeding with the transaction, you agree to pay the exchange rate, including the Transaction Fee, and you agree to the other terms applicable to the transaction as set forth in these Terms of Service. If you do not agree, you may not proceed with the transaction and must immediately discontinue your use of the CoinFlip Preferred service for that transaction. By completing your*

*transaction, you acknowledge that you have been presented the exchange rate applicable to your transaction and have agreed to it, including the Transaction Fee.*

### ***Fees in the App***

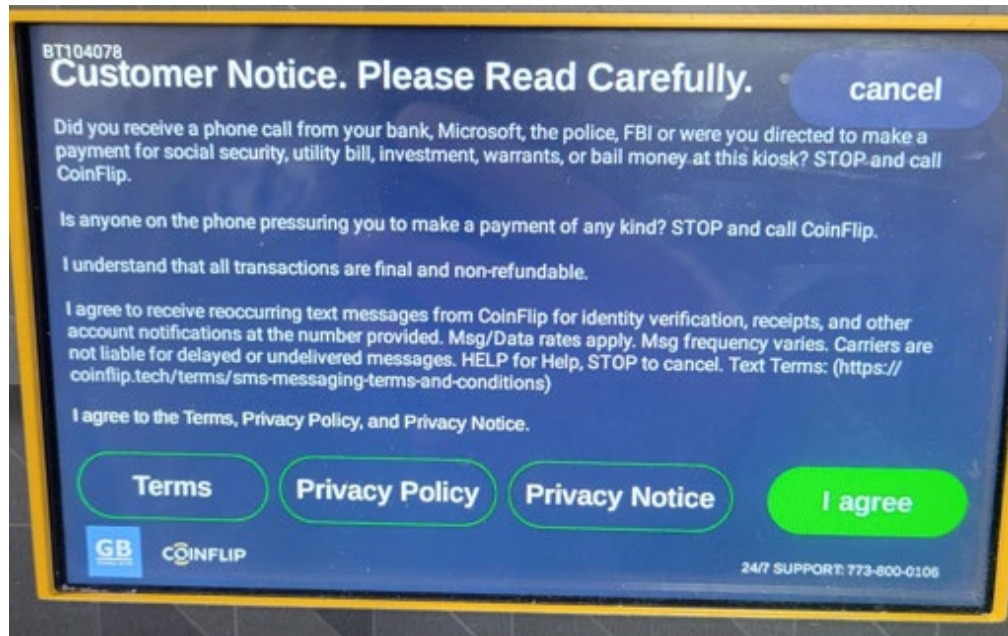
*For purchases in the App, You will be required to pay a Processing Fee, a Transaction Fee, and a Network Fee. The Processing Fee is calculated as a percentage over the Market Price, as discussed fully below. The Processing Fee will be different based on whether You complete a transaction using debit, credit, or ACH. Before You make a transaction, we will tell You the exchange rate applicable to Your transaction and all applicable fees, including the Processing Fee, Transaction Fee, and Network Fee. By proceeding with the transaction, You agree to pay the exchange rate, including the Transaction Fee, Processing Fee, and Network Fee, and You agree to the other terms applicable to the transaction as set forth in these Terms of Service. If You do not agree, You may not proceed with the transaction and must immediately discontinue Your use of the Services for that transaction.*

### ***Market Price***

*The Company uses CoinAPI indexing to determine the Market Price. The Company reserves the right to use a different source without notice to determine Market Price for any reason. By transacting with the Company, You waive any claims or liability against the Company based on the manner in which the Company determines the Market Price. The Company also charges a minimum \$2.49 Network Fee. "Network Fee" shall mean the minimum \$2.49 fee applied towards the required payment to use the applicable blockchain to send Your selected cryptocurrency to Your cryptocurrency wallet. Due to the nature of how the Company processes customer transactions, the Company may periodically profit from the Network Fee. During times of high transaction volume, the Network Fee may be increased. By transacting with the Company, You waive any claims or liability against the Company based on the charged Network Fee." App. 113-114.*

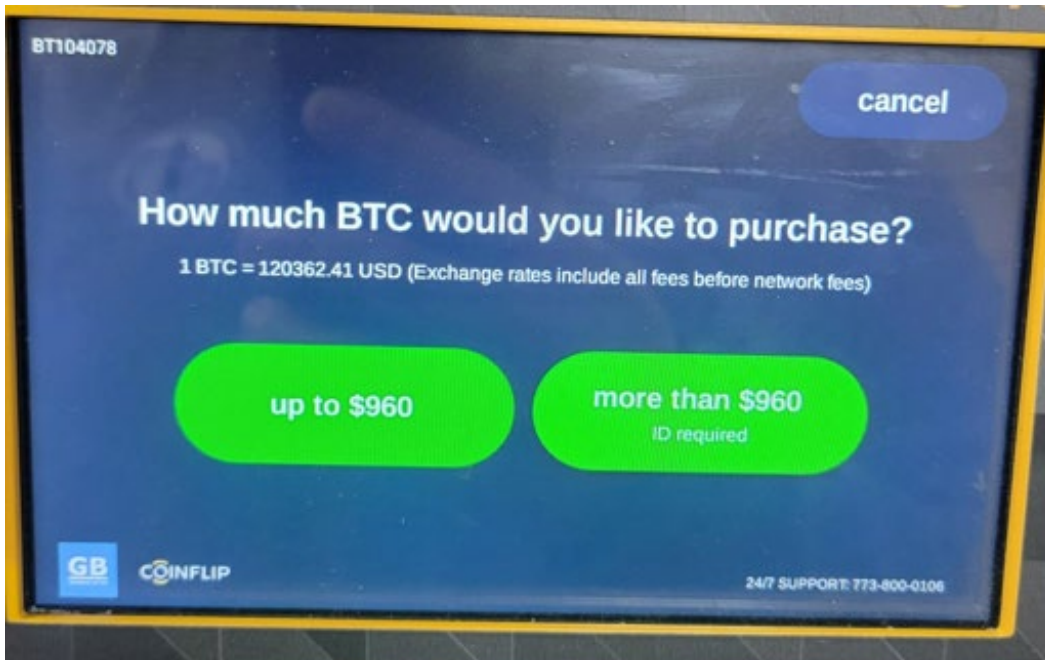
94. It is not easy for an Iowan consumer to decipher the cost of purchasing Bitcoin through a CoinFlip BTM.

95. The next screen (below) shows more signs of confusing Iowa consumers. It has a lengthy “Customer Notice,” along with options to view “Terms,” “Privacy Policy,” and “Privacy Notice.” The button to continue is bright green and placed in a position most likely to be pushed.

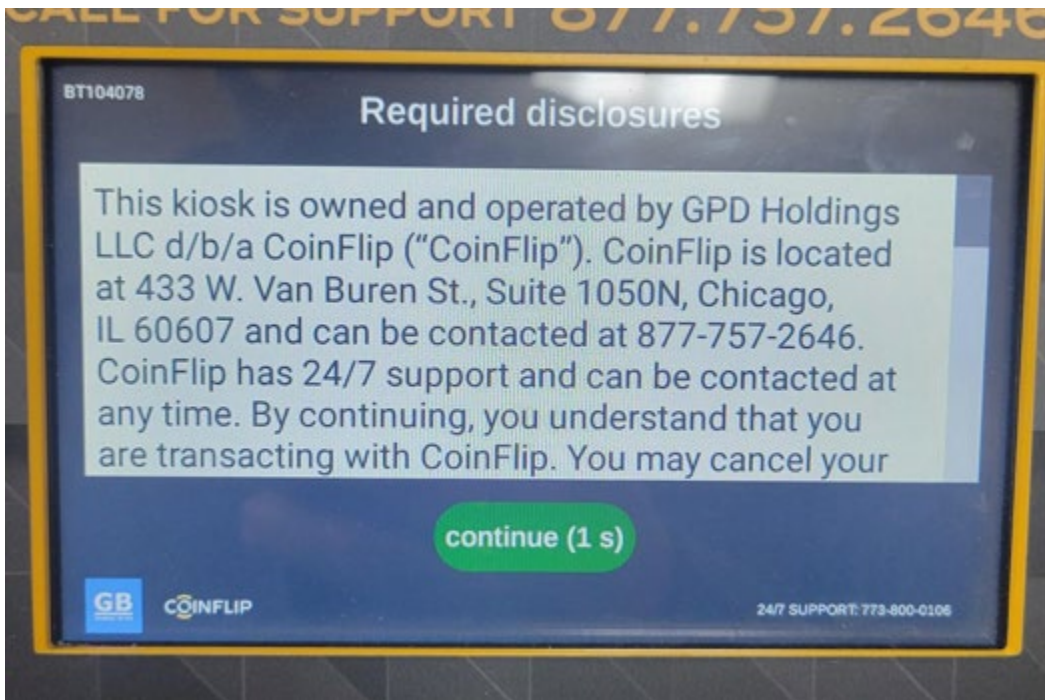


96. Next is the “Scam Disclaimer” screen (included earlier in this Petition) followed by a screen that asks the Iowa consumer how much Bitcoin he or she would like to purchase. The screen (below) notably tells the consumer that “the exchange rates include all fees before network fees.” It is unclear what exchange rates this refers to or why the word

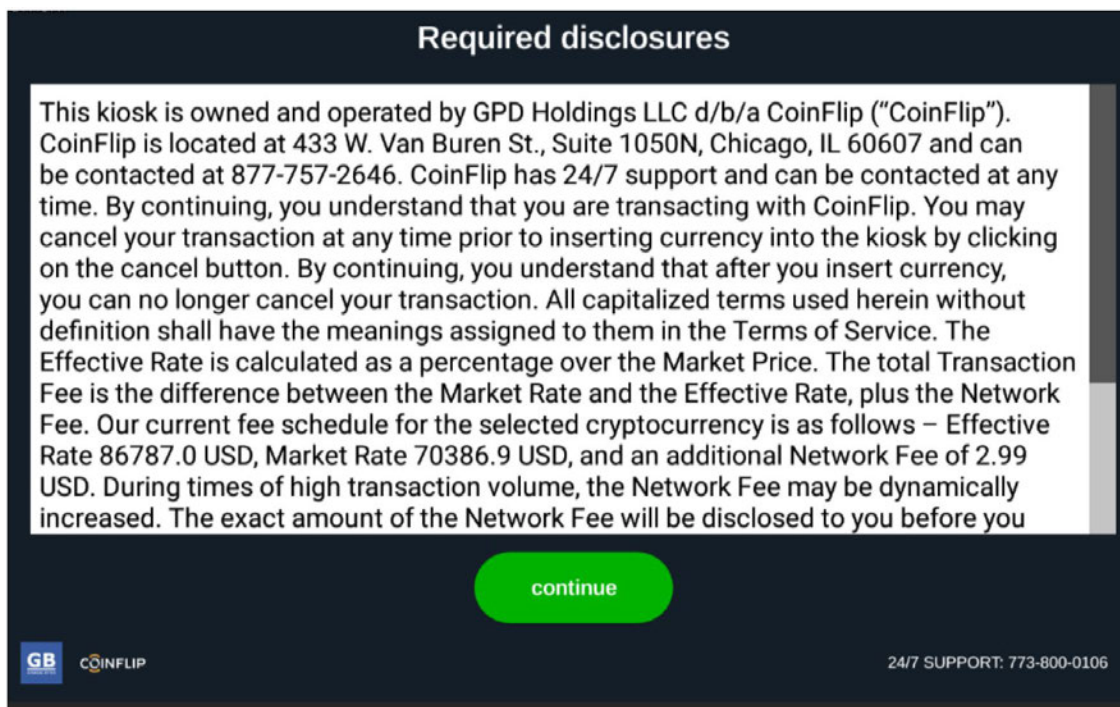
“rates” is pluralized.



97. The Iowa user must then enter his or her “mobile number,” a one-time SMS passcode the machine sends to the number, and the Iowan’s name and a date of birth.
98. Iowans are then shown the following screen which again gives the user the option between scrolling through dense language or clicking a bright green button:

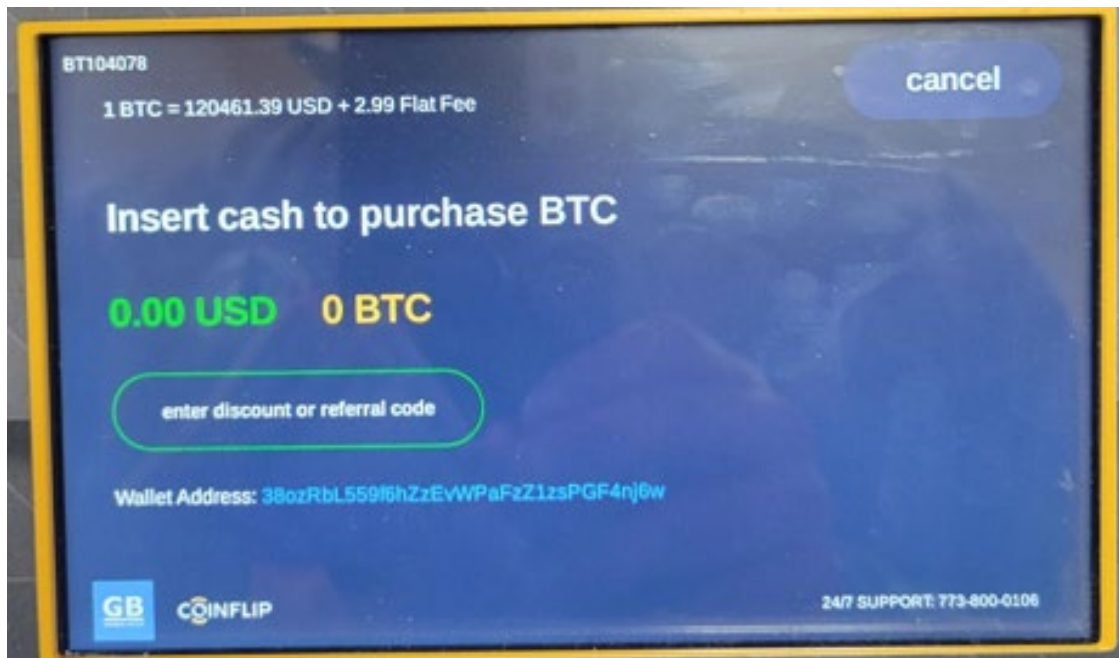


99. If the consumer were to scroll down, the Iowan would find something like the following: “All capitalized terms used herein without definition shall have the meanings assigned to them in the Terms of Service. The Effective Rate is calculated as a percentage over the Market Price. The Total Transaction Fee is the difference between the Market Rate and the Effective Rate, plus the Network Fee. Our current fee schedule for the selected crypto currency is as follows – Effective Rate 86787.0 USD, Market Rate 70,386.9 USD, and an additional Network Fee of 2.99 USD.” The below photo is from CoinFlip’s documentation submitted to the Attorney General’s office.



100. Assuming the consumer scrolled through and understood the complex information, the consumer now has all of the variables needed to complete the Algebraic equation to calculate the fees to purchase Bitcoin.
101. To calculate the fees, an Iowan consumer must take the money to be inserted into the BTM (in this example \$20) and subtract the \$2.99 network fee (to get 17.01). The consumer then needs to divide the market rate of bitcoin (70,386.9) by the effective rate that Coinflip is charging 86,787 (which is 0.81103). Lastly, the Iowan needs to multiply \$17.01 by 0.81103 to learn that Coinflip will be sending \$13.80 in Bitcoin to an address and retaining \$6.20 for themselves in fees.

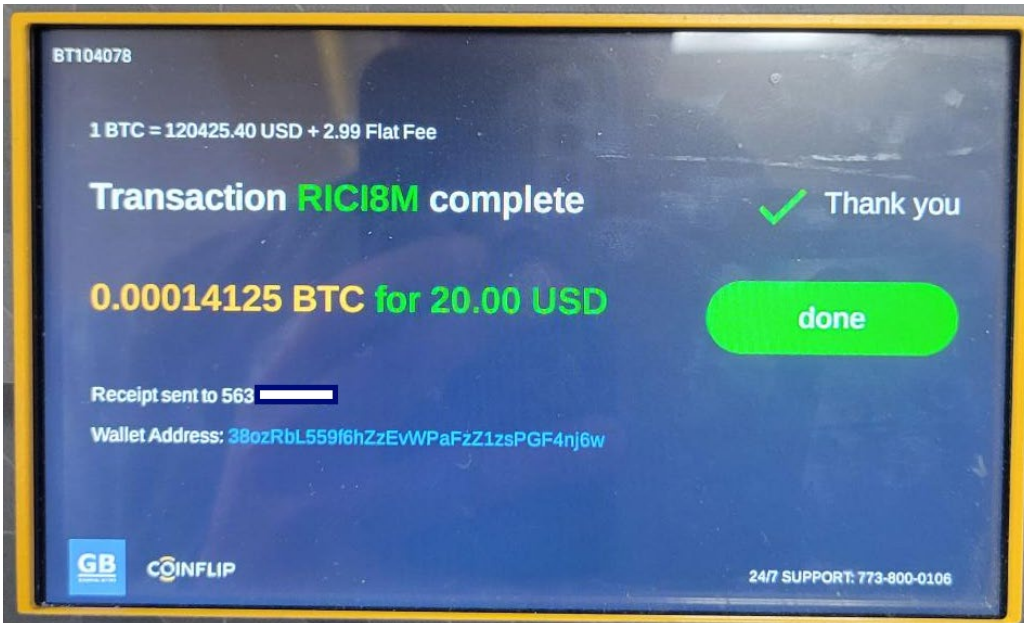
102. The next screen prompts the user to scan in a Bitcoin address using a QR code scanner. After the address is inputted, the consumer is prompted to enter money into the machine.



103. The top of the screen reads  $1\text{BTC}=120461.39\text{ USD} + 2.99$  **Flat Fee**. The term “Flat Fee” is not found anywhere in the Terms and Conditions or any other disclosure.
104. Presumably, CoinFlip is referring to the “Network Fee.” However, by using the phrase “Flat Fee,” an Iowan could easily believe he or she is being charged only \$2.99 as a flat fee to use a CoinFlip BTM.
105. So not only is the calculation to determine the fees of Bitcoin at a Coinflip BTM deceptive by virtue of being hidden and subject to a string of complex math formulas, CoinFlip uses the phrase “flat fee” to further hide the cost.
106. The consumer is then asked to opt in to marketing updates and offered the opportunity to read yet another legal document (the “SMS terms and conditions”).



107. Finally, an Iowa user sees a screen showing a total transaction where \$20.00 was translated into .00014125 of bitcoin.



108. A text "Receipt" is sent to the user's phone. The receipt does not contain any information regarding the fees paid by the consumer. (See below).

CoinFlip Receipt  
TxID: RICI8M  
Time: 02/05/2025  
02:23:18 PM  
Amount: 20 USD  
= 0.00014125  
BTC Destination:  
38oz...nj6w Your  
input helps us  
improve! Take  
a quick survey:  
[https://cfgpd.com  
/GpADywB2aN](https://cfgpd.com/GpADywB2aN)

109. Coinflip's user interface is designed to make reading the Terms of Service tedious and difficult, while simultaneously making it easy and intuitive for the consumer to skip the terms entirely.
110. CoinFlip's leadership acknowledges that many of its customers are not sophisticated when it comes to their understanding of Bitcoin, and yet it hides material details of the transaction among legal jargon and behind partially obscured buttons.
111. CoinFlip could easily express the full cost of its service as a US dollar amount on the screen and receipt, as many of its competitors do, but it doesn't because doing so would alert the consumer to the high cost of the service and make them less likely to use CoinFlip's service.
112. CoinFlip's website shows its obfuscation of the fees is intentional. The Terms of Service states the fee ranges from 4.99% to 21.90% and the fee you will pay is unknowable until you are at the machine (which as stated above is hidden below a scrollable window and long legal jargon). Outside of the Terms of Service which an Iowan can find through a



small link near the very bottom of the website, there is no place on CoinFlip’s website where an Iowan can locate a fee schedule. The cost of a transaction is not mentioned in the “FAQ” or the “Bitcoin ATMs” section of the website. The site has dozens of blog posts, and not a single one addresses the cost of the service. The cost of purchasing Bitcoin through a CoinFlip BTM is effectively hidden from the consumer.

113. This lack of price transparency is important for scam victims who are often using a Coinflip ATM at the direction of the scammers. These people are typically unfamiliar with Bitcoin values or exchange rates. These scammers often use threats and emotional manipulation to fluster their victims and place them in a heightened emotional state. They then instruct the victims to skip screens quickly, not giving them the time to read the 33 or so pages of the terms of service or warnings on the screen.
114. Some Iowa scam victims have said they were unaware of the high prices being charged and if they had known about the price CoinFlip charges, it would have made them question the transaction. It could have been what have stopped Iowa users from putting their money into the machine entirely.

**I. CoinFlip Hides the Cost of Purchasing Using a BTM Behind Iowans’ Experience with ATM Fees**

115. CoinFlip’s use of the term “Bitcoin ATM” in its marketing and advertising further deceives consumers about its fees.
116. Iowans associate the term “ATM” and associate it with the more common bank ATMs that often charge a small service fee for their use.
117. When Iowans see CoinFlip’s around \$3 “network fee” or “flat fee” prominently displayed on the Coinflip ATM screen is similar a regular ATM fee, they are tricked into thinking the around \$3 fee is the extent of the fees they must pay.
118. CoinFlip has made a strategic decision to bury all other fees in its Terms of Service, clearly display a nominal fee, and call its kiosks Bitcoin ATMs. All three of those facts lead to deception about the BTM fees CoinFlip charges Iowa consumers.

**IV. Violations of the Iowa Consumer Fraud Act**

119. Under the Act:  
The act, use or employment by a person of an unfair practice, deception, fraud, false pretense, false promise, or misrepresentation, or the

concealment, suppression, or omission of a material fact with intent that others rely upon the concealment, suppression, or omission, in connection with the lease, sale, or advertisement of any merchandise or the solicitation of contributions for charitable purposes, whether or not a person has in fact been misled, deceived, or damaged, is an unlawful practice.

Iowa Code § 714.16(2)(a).

120. CoinFlip sells merchandise as defined by the Act. *Id.* Merchandise “includes any objects, wares, goods, commodities, intangibles, securities, bonds, debentures, stocks, real estate or services.” *Id.* § 714.16(1)(e). BTMs provide money transmitter services as well as sell Bitcoin, which could be considered a good, commodity, or intangible under the Act.
121. CoinFlip has and is engaged in an “unfair practice”, deception,” and “misrepresentation” as follows:
  - A. Selling Bitcoin Through a Kiosk That Allows for Prevalent Scam Transactions is an Unfair Practice**
122. CoinFlip’s practice of selling Bitcoin through its BTMs in a manner that allows for prevalent scam transactions to be processed constitutes an “unfair practice” that is unlawful under Iowa Code § 714.16(2). An “unfair practice” is defined as an act or practice which causes substantial, unavoidable injury to consumers that is not outweighed by any consumer or competitive benefits which the practice produces.”  
Iowa Code § 714.16(1)(i)
123. The amount of money for the period of January 1, 2021, to June 10, 2024, processed through Iowa BTMs related to confirmed scam transactions totaled a staggering \$13,182,625. This number is only expected to grow as the Attorney General’s office has only been able to contact or confirm data related to \$ 13,888,625 of the total \$50,058,825 of transactions processed during the above period.
124. CoinFlip’s policies comprise a paradigmatic “unfair practice.” BTMs are causing “substantial, unavoidable injury” to Iowa consumers. Iowans are losing their life savings, going bankrupt, getting depression, and a myriad of other injuries because of BTMs.

125. The injuries caused by BTMs far outweigh any consumer or competitive benefits under any equitable weighing test. Any benefit in the vast pile of scams, high transaction fees, and insufficient refund policies is scant. CoinFlip's expressed benefit of extending cryptocurrency to the unbanked underbanked is not the typical case in Iowa.
126. BTMs that operate under CoinFlip's current policies and practices allow BTMs to primarily operate as a gateway driver for scammers violates Iowa consumer protection laws. CoinFlip BTMs create a path to financial ruin for Iowans, and especially older Iowans. CoinFlip's deficiencies include, but are not limited to, failing to take timely, appropriate, and effective action to detect and prevent fraud-induced money transfers through its BTM system, as described above.
127. CoinFlip knows that its BTMs are frequently used by scammers to defraud older and vulnerable Iowa consumers, both within this State and elsewhere, but it does not institute adequate safeguards relate to BTM operations to prevent scam transactions that could avoid "substantial, unavoidable injuries" to Iowa consumers.
128. Rather, CoinFlip continues to employ practices related to BTMs that are akin to putting a loaf of bread known to be poisonous on the store shelf with a warning label slapped on to avoid liability. Both are unlawful under the Iowa Consumer Fraud Act and both cause "substantial, unavoidable injuries" that are not outweighed by consumer or competitive benefits.
129. CoinFlip's practice of selling Bitcoin through a BTM in a manner that allows for prevalent scam transactions is a violation of the Act. The State is entitled to civil penalties of up to \$40,000 per violation of the Act under Iowa Code § 714.16(7). There is a violation with respect to each BTM located in Iowa.

**B. CoinFlip Deceived Iowans About the Price of Bitcoin Purchased Through Its BTMs**

130. CoinFlip's practices of failing to conspicuously present Iowa consumers with either the price of Bitcoin or the fees they pay, hiding the terms regarding the cost of Bitcoin fees in lengthy, complex documents with inapplicable terms, and using the term "flat fee" are deceptive acts or practices that are unlawful under the Act.

131. “Deception” under the Act is “an act or practice which has the tendency or capacity to mislead a substantial number of consumers as to a material fact or facts.” The price of a good or service is a material fact.
132. CoinFlip only advertises the around \$3 network fee associated with its BTMs in a clear and conspicuous manner.
133. The extra charge known as the “Transaction Fee” that CoinFlip charges is buried in a complex Terms of Service and made unclear to Iowa consumers. It takes sophisticated math skills to back into determining the total fees associated with the purchase of Bitcoin from a CoinFlip BTM.
134. CoinFlip further muddies the water by using the phrase “flat fee” on the screens that Iowa consumers view during their purchase experience.
135. CoinFlip’s deception regarding the pricing and fees associated with the purchase of Bitcoin through a BTM is a violation of the Act. The State is entitled to civil penalties not to exceed \$40,000 per violation of the Act under Iowa Code § 714.16(7). There is a violation with respect to each BTM located in Iowa. There is also a violation for each version of CoinFlip’s Terms of Service delivered to Iowa consumers, and a violation for the practice of customer service representatives in deceiving Iowa consumers on the telephone.

**C. CoinFlip Misrepresents to Iowa Consumers That it Charges a Flat Fee**

136. Although not include in its Terms of Service, CoinFlip advertises to Iowans during their transaction experience that there is a flat fee of around \$3 when purchasing Bitcoin at a CoinFlip BTM.
137. There is not a flat fee, but rather multiple fees often unknown. Most consumers would understand a flat fee to be a singular fee representing the total purchase price.
138. CoinFlip’s misrepresentation regarding the flat fee to purchase Bitcoin at its BTMs violates the Act. The State is entitled to civil penalties of up to \$40,000 per violation of the Act under Iowa Code § 714.16(7). There is a violation with respect to each BTM located in Iowa.

**D. CoinFlip’s Violations of the Act Were Committed Against Iowa Consumers Sixty Years of Age or Older**

139. The violations alleged in this Petition were committed against “older individuals,” as defined under Iowa Code Section 714.16A, those who are “sixty years of age or older.” *Id.*
140. The State is thus entitled to additional civil penalties of up to \$5,000 for each violation of the Act that was committed against an older individual.

**V. Conclusion and Prayer**

The State of Iowa, *ex rel.* Attorney General Brenna Bird, requests that the Court render judgment in the State’s favor and:

- A. Declare that Defendant has engaged in misrepresentations, deceptions, and unfair practices against Iowa consumers in violation of the Iowa Consumer Fraud Act, Iowa Code § 714.16, *et seq.*;
- B. Preliminarily and permanently enjoin Defendant from engaging in the deceptive and unfair acts described in this Petition whether that be by (i) a permanent ban from doing business in Iowa; (ii) placing additional safeguards on the operation of BTMs in Iowa, (3) refunding the full transaction amount to any scam victim whose transaction was processed through a BTM in Iowa, (4) total fee caps to exceed no more than a set percentage of the total transaction amount as determined by the Court; or (iii) any other injunctive relief the Court deems necessary and equitable;
- C. Adjudge the Defendant liable for civil penalties of \$40,000 for each violation of the Iowa Consumer Fraud Act;
- D. Adjudge the Defendant liable for additional civil penalties of \$5,000 for each violation of the Iowa Consumer Fraud Act committed against an older individual;
- E. Order the Defendant to reimburse the full transaction amounts—including but not limited to the full cash or card amount processed through a BTM—to all Iowa consumers who (i) purchased Bitcoin through a BTM because they were a scam victim, (ii) would have been entitled to a refund under CoinFlip’s written refund policy, or (iii) attest they did not understand the total fees or price of Bitcoin at the time of their BTM transaction;

- F. For all Iowa consumers entitled to reimbursement who cannot be located through reasonable efforts, order the Defendant to disgorge all related funds and property they acquired from those Iowa consumers through misrepresentations, deceptions, and unfair practices, and award the funds and property to the State to be used by the Attorney General under Iowa Code § 714.16(7);
- G. Award the State its costs and fees under Iowa Code § 714.16(11), including expert-witness expenses; costs incurred in pursuing this action and investigation, including reasonable attorneys' fees; and prejudgment and post-judgment interest at the highest lawful rates; and
- H. Grant all other relief necessary or appropriate to remedy the effects of Defendant's acts or to which the State may be entitled.

Date: February 26, 2025

Respectfully submitted,

BRENNA BIRD  
ATTORNEY GENERAL



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