

A Fintech Acquisition due diligence backfired: JP Morgan vs. Charlie Javice

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James Dimon is an American businessman. After the 2004 merger of JPMorgan Chase with Bank One, Dimon took on the positions of president and chief operating officer of the resulting company. On December 31, 2005, he was named the chief executive officer (CEO) of JPMorgan Chase, and he has been the chairman and CEO since 2006. During his tenure, JPMorgan Chase has acquired about 15 fintech companies since 2020, ranging from payment companies, crypto currency companies, to enterprise software companies. Dimon had previously expressed dissatisfaction with JPMorgan's spending plans, which created controversy among some of JPMorgan's investors in the run-up to the bank's investor day in May of the previous year.

Dimon said that "JPMorgan has been "much disciplined" in its acquisition strategy, but added that the Frank acquisition was, "in one way or another, a huge mistake." ([Business insider](#))

Latest Financial Services Industry Updates (2025–2026)

Investment banks are registering significant growth in 2025, reaping record-breaking fees of about \$102.9 billion in megadeals (Corporate business transactions such as M&A), leveraged lending, and resurgence in equity capital markets ([FN London](#)). Major financial institutions are realizing growth in deal-making and capital market transactions despite the current economic difficulties. U.S. asset managers have registered a record number of mergers and acquisitions in 2025, amounting to about \$38 billion, showing continued consolidation in the industry. Small and medium-sized companies are pursuing mergers or acquisitions to expand and cut costs. Financial institutions are quickly embracing the use of artificial intelligence and technology to facilitate activities such as personalizing clients and identifying risks with the objective of improving efficiency and competitiveness.

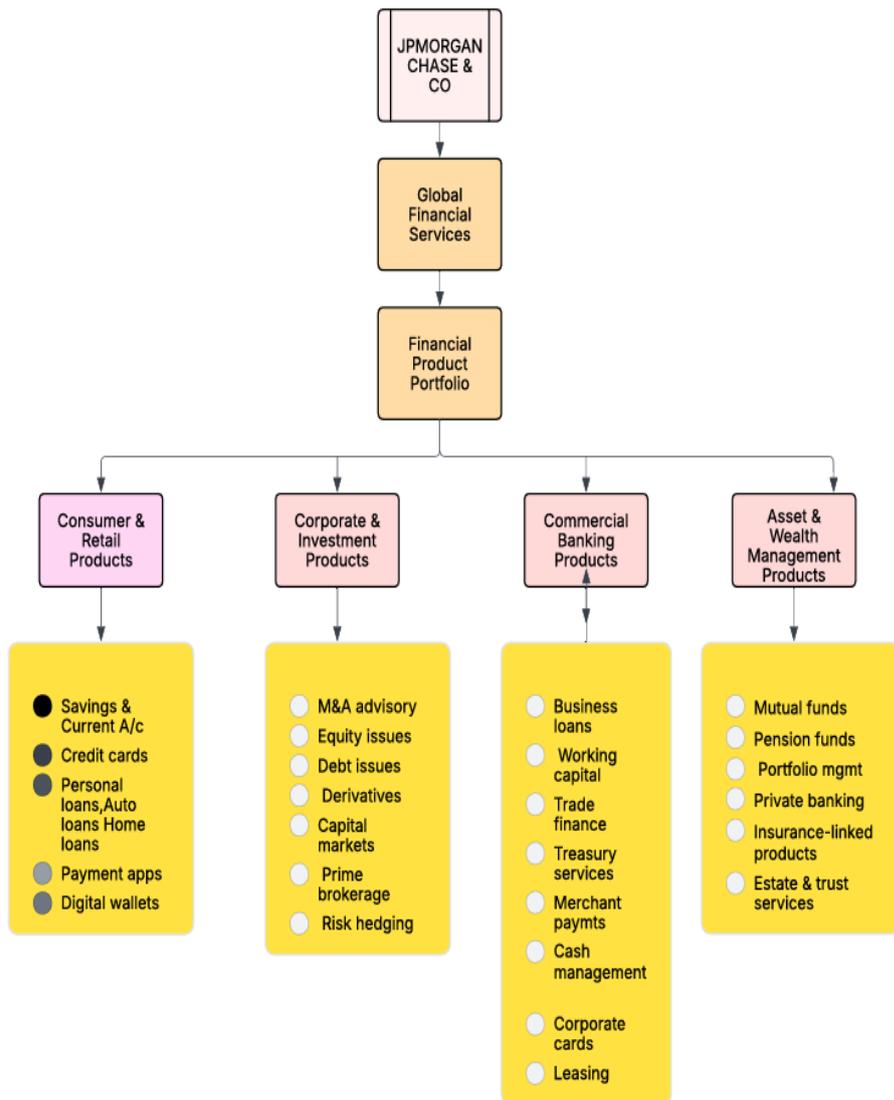
Company Background

JPMorgan is one of the oldest, largest, and most respected financial institutions in the United States. The company's history dates back to more than 1,200 predecessor companies that have merged over the past 225 years to form the present company. The company's history is based on innovation and philanthropy, and it dates back to the first water company in New York City in 1799. The company's heritage companies include J.P. Morgan & Co., The Chase Manhattan Bank, Bank One, Manufacturers Hanover Trust Co., Chemical Bank, The First National Bank of Chicago, National Bank of Detroit, Washington Mutual, The Bear Stearns Companies Inc., and First Republic. These companies, in their respective times, were all closely linked to the development of finance and the growth of the U.S. and international economies. [JP Morgan chase](#)

JPMorgan Chase & Co. and its brands are committed to providing high-quality service to a diverse client base of millions of consumers, small businesses, and corporate, institutional, and government clients in the United States and worldwide. The company has a leading franchise in the global investment banking industry in terms of market share. JPMorgan Chase & Co. has more than 60 million

households in the United States (NYSE: JPM-- New York Stock Exchange JP Morgan) and is a major international financial services company with a franchise of thousands of branches, approximately \$4.6 trillion in assets, and about \$360 billion in stockholders' equity ([Businesswire.com](https://www.businesswire.com)). JPMorgan Chase & Co. is a major international financial services company with a franchise of thousands of branches, approximately \$4.6 trillion in assets, and about \$360 billion in stockholders' equity (Businesswire.com). The Chase consumer and business banking, which offers a full range of banking, credit card, mortgage, investment and wealth management services and is pursuing investment opportunities in financial technology to reach clients at different points in their lives. Below table exhibits services & products of JPM globally.

JP Morgan Chase Company's Global financial Products & services:



Source: https://lucid.app/lucidchart/2e1bcd7-1b0b-4e25-9194-7074fc387dc7/edit?viewport_loc=-1267%2C-329%2C3642%2C1650%2C0_0&invitationId=inv_a1801fff-7d0b-40d3-a6cb-81f7c2621ed3 (own creation)

SDM Institute for Management Development (SDMIMD)
International Case Conference (ICC) 2026
 Theme: Contemporary Context in Innovation, Inclusion, and Impact.
 on 20-21 February 2026.

In 2021, Chase saw the potential of Frank's platform as a way to simplify college financial aid, marking an effort to expand its service offerings to young adults and students.

According to Co.-CEO Jennifer Piepszak, the Frank acquisition will help "build lifelong relationships" with students and give Chase new digital capabilities for financial performance business wire.

JP MORGAN financial statement (Summary)

<i>Financial Metric</i>	<i>3Q25</i>	<i>2Q25</i>	<i>3Q24</i>	<i>Change vs 2Q25</i>	<i>Change vs 3Q24</i>
<i>Net Revenue – Reported</i>	<i>\$46,427m</i>	<i>\$44,912m</i>	<i>\$42,654m</i>	<i>+\$1,515m (+3%)</i>	<i>+\$3,773m (+9%)</i>
<i>Net Revenue – Managed</i>	<i>\$47,120m</i>	<i>\$45,680m</i>	<i>\$43,315m</i>	<i>+\$1,440m (+3%)</i>	<i>+\$3,805m (+9%)</i>
<i>Noninterest Expense</i>	<i>\$24,281m</i>	<i>\$23,779m</i>	<i>\$22,565m</i>	<i>+\$502m (+2%)</i>	<i>+\$1,716m (+8%)</i>
<i>Provision for Credit Losses</i>	<i>\$3,403m</i>	<i>\$2,849m</i>	<i>\$3,111m</i>	<i>+\$554m (+19%)</i>	<i>+\$292m (+9%)</i>
<i>Net Income</i>	<i>\$14,393m</i>	<i>\$14,987m</i>	<i>\$12,898m</i>	<i>-\$594m (-4%)</i>	<i>+\$1,495m (+12%)</i>
<i>Earnings per Share (Diluted)</i>	<i>\$5.07</i>	<i>\$5.24</i>	<i>\$4.37</i>	<i>-\$0.17 (-3%)</i>	<i>+\$0.70 (+16%)</i>
<i>Return on Common Equity</i>	<i>17%</i>	<i>18%</i>	<i>16%</i>	<i>-1 pt</i>	<i>+1 pt</i>
<i>Return on Tangible Common Equity</i>	<i>20%</i>	<i>21%</i>	<i>19%</i>	<i>-1 pt</i>	<i>+1 pt</i>

Source: JPM Earnings press release

From the above table, we can see the comparisons between third quarter of 2025 versus the prior-year 2024 third quarter, Net Revenue- Reported is official financial values shown using GAAP rules, Net Revenue – Managed shows internal true business performance values. Noninterest expenses indicates operating costs which is lower than revenue, JPMorgan reserved some more money to overcome loan defaults losses. This reflects risk management and economic caution. JP Morgan Chase reported robust financial performance in Q3 2025, with solid revenue growth, disciplined expense control, and strong profitability compared with both prior quarter and prior-year results

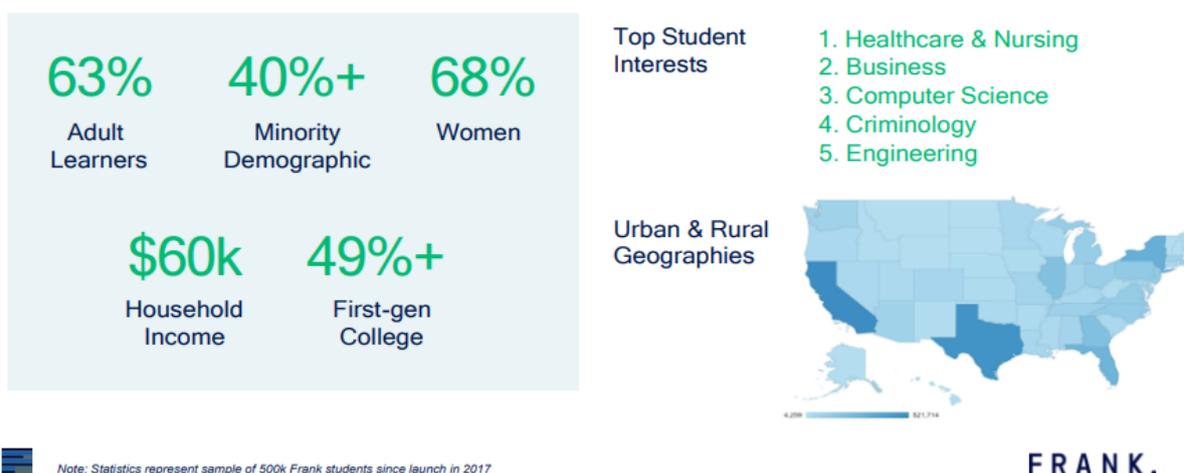
Frank:

Charlie Javice showed early entrepreneurial prowess by starting a venture in her high school days that helped students through microfinance clubs. After completing her education, Charlie Javice founded Frank in 2016 in New York City, with an estimated investment of between USD 1-2 million, to make

the FAFSA (Free Application for Federal Student Aid) process easier for college students in the United States. Frank had a user-friendly model in mind that would make the seemingly complicated education loan process more accessible to students. The venture gained popularity among students and investors looking for innovative solutions in the edtech and fintech sectors. In January 2018, Frank raised \$10 million from investors such as Lemonade, WeWork, Bradley Tusk, and Marc Rowan, co-founder of Apollo Global Management, and was operating with 18 full-time employees in the United States and Israel. [Wikipedia](#). By the end of 2018, Frank supported the distribution of financial aid to 300,000 students, amounting to 7.24 billion USD. By 2021, Javice had raised 30.95 million USD from various investors. This swift expansion and unique strategy caught the eye of leading organizations in the financial industry. Javice was recognized by Forbes as one of its 30 Under 30, identified as a rising star in the fintech industry. Frank’s initial valuation was largely based on perceived scale and data resources rather than actual financial metrics.

Frank Students: A Diverse Student Community

We build a trusted financial relationship with our Students prior to any other brand



JPMorgan's & Frank Acquisition Process

In March 2021, one of Frank’s biggest investor outreach communications, addressed to an executive at JPMorgan Chase & Co.’s Corporate & Investment Bank, said that Frank was speaking with potential buyers to acquire the company and that JPMorgan “should take a look.” This email was then passed along to Leslie Wims Morris, the head of corporate development for JPMorgan Chase’s Consumer & Community Banking (CCB) division. Morris showed interest in speaking with Javice about mergers and acquisitions. Jennifer Piepszak and Marianne Lake, as co-CEOs of Chase’s Consumer & Community Banking, along with Morris and other representatives, began the acquisition due diligence in July 2021. Javice claimed that Frank had 4.265 million users. JPMorgan Chase & Co. asked Javice to provide a list of Frank’s customer accounts that held sensitive information such as first names, last names, dates of birth, phone numbers, mailing addresses, and email addresses. JPMorgan Chase & Co. also asked to get the key questions in writing :

- “How many customer accounts have 100% of the below data?”
- “How many customer accounts have partial information?” and
- “Of partial records, what [percent] include each data field below?” ([Complaint document](#))

Javice didn't have 4.265 million customer accounts, so she denied it by citing privacy concerns. As of July 31st, she had only 300,000 users. Later, along with her Chief Growth Officer Olivier Amar, she first asked

Frank's Director of Engineering Patrick Vovor to create fake customer details using "synthetic data," which means fake information generated by computer algorithms. He declined due to concerns about illegal activity, stating, "We don't want to end up in orange jumpsuits," referring to the uniforms worn by prisoners in US jails. [justice.gov](https://www.justice.gov)

Later, Javice hired Adam Kapelner, a Data Science Professor in New York City, to create a fake data set with a lot of difficulty. The professor made a list of 4.265 million fake customer accounts by recombining parts of Frank's actual user data. Meanwhile, Amar connected with ASL Marketing Inc., a U.S.-based firm that provides direct marketing campaign services. Amar purchased a list of 4.5 million accurate data on high school, college students, and young adults, aged between 13 and 34, for \$105,000. Meanwhile, Javice sent a third-party vendor to convey information to JPMorgan Chase. JPMorgan mistakenly thought that Bank of America was also bidding for Frank. Many red flags were ignored. In September 2021, JPMorgan announced it was acquiring Frank for \$175 million. As part of the deal, JPMorgan hired Javice and other Frank employees and paid \$21 million to Javice for selling her equity stake in Frank, believing it would have millions of established customer relationships. [businesswire.com](https://www.businesswire.com).

Due Diligence process:

Leslie Wims Morris and Jennifer Piepszak, both JPMorgan executives, testified that she "100% trusted the young entrepreneur" (ACFE). In early 2022, JPMC hired an outside marketing company to check Frank's database process. The review revealed that the process was superficial. During the six-week trial, they found that Javice had fabricated data. In the end, multiple investigations by JPMorgan's team, the SEC (Securities and Exchange Commission), and the DOJ (Department of Justice) uncovered evidence of a "months-long scheme" by Javice to create false data from 2022 to 2023. JPMorgan filed a lawsuit against Javice in U.S. District Court in Delaware and started civil litigation for fraud. The SEC and DOJ also charged Javice with criminal offenses. [justice.govsec.gov](https://www.justice.gov/sec).

Case Dilemma:

For acquiring companies, a key part of due diligence is data verification and customer engagement patterns. It looks at how failing to validate important metrics can put acquirers at significant financial and legal risk. It also examines how regulators and executives respond when a transaction does not go as planned. The second major element is analyzing financial statements related to server costs, customer consultation or process charges, and marketing expenses. This means linking operational costs to the revenue earned. There is also a discussion on best practices in corporate M&A governance and third-party audits. Unfortunately, JPM did not follow the proper due diligence process and ended up making a fraudulent acquisition.

Discussion, SEC involvement & conclusion

In April 2023, the U.S. Attorney for New York's Southern District charged Javice with conspiracy and three counts of fraud: wire, bank, and securities. The Securities and Exchange Commission (SEC) filed a civil complaint against Javice for fraud related to the alleged scheme, which had serious implications for investors and the financial industry. In January 2023, Frank's operations were shut down due to fraudulent activities. In March 2025, Javice was convicted on multiple counts of securities, wire, and bank fraud. In September 2025, Amanda Houle, Acting Attorney for the United States, announced that Charlie Javice and Amar Frank's Chief Growth Officer were sentenced to 85 months in prison and ordered to pay over \$300,000,000 in penalties. [justice.gov](https://www.justice.gov).

Attorney for the United States Amanda Houle said "Today's sentence sends a clear message that brazen frauds will be met with serious penalties. Our Office will continue to work tirelessly to hold accountable those who seek to profit through fraudulent schemes and lies."

The JPMorgan, Frank case shows that even top financial institutions can make expensive mistakes when urgency takes precedence over careful investigation. The acquisition failed not due to financial weakness, but because the fake user data was not checked independently. This case emphasizes the importance of solid

corporate governance, analyzing financial factors, validating data, and ensuring cyber security in fintech acquisitions, where data is the main asset.

References

Carter Johnson and Emmalyse Brownstein (Jan 14, 2023) Retrieved from Business insider <https://www.businessinsider.com/jpmorgan-ceo-jamie-dimon-speaks-out-frank-acquisition-huge-mistake-2023-1>

Acquisition Announcement: Press release (Sept 21, 2021) by JPMorgan Chase describing the Frank deal and its terms [【5†】](#) . It cites Frank’s claimed user base (“more than five million students” [businesswire.com](https://www.businesswire.com)) and details retention bonuses (Founder Javice to receive \$20M [justice.gov](https://www.justice.gov)).

SEC Complaint (Apr 2023): SEC Litigation Release No. 2023-74 charging Javice with securities fraud [【7†】](#) . The complaint (filed SDNY, Apr 4, 2023) alleges she lied about 4.25M users and had a third-party data scientist fabricate records [sec.gov](https://www.sec.gov) .Key excerpts describe the alleged scheme.

DOJ Complaint (Apr 2023): SDNY press release (Apr 4, 2023) and the underlying criminal complaint. These outline the facts of the fraud, including the purchase of external student lists and the distribution of synthetic data to JPMorgan [justice.gov](https://www.justice.gov). It lists charges and notes Javice stood to gain “over \$45 million” from the acquisition [justice.gov](https://www.justice.gov)