

CFPB Enforcement Alert from Hudson Cook, LLP: CFPB and New York AG Announce Settlement that Includes Permanent Industry Bans Against Debt Collection Companies and Employees

May 24, 2022 | [Mark E. Rooney](#) and [Robert D. Tilley](#)

HIGHLIGHTS:

- CFPB and the New York Attorney General ("NY AG") announced a proposed settlement of a lawsuit—originally filed in September 2020—against six interrelated companies and five individual defendants.
- The various defendants neither admitted nor denied the allegations, but consented to entry of the proposed stipulated final judgment and order, which includes a \$4 million judgment to be paid collectively by all of the defendants and split evenly between the two government entities.
- In addition, today's stipulated resolution, if accepted by the court, would permanently enjoin all of the defendants from the debt collection industry. This penalty continues the recent trend of lengthy industry bans in CFPB enforcement resolutions.

CASE SUMMARY:

On May 23, 2022, the CFPB and NY AG announced a proposed stipulated judgment in a pending case in the federal district court for the Western District of New York against "a network of interrelated companies" and individuals. Originally filed in September 2020, with an amended complaint filed in December 2021, the agencies alleged that the defendants "generated gross revenues of approximately \$93 million between 2015 and 2020" through a variety of "deceptive and other illegal [debt] collection tactics." In the amended complaint, the agencies alleged that the defendants violated the FDCPA, CFPA, and seven provisions of New York law.

Specifically, the amended complaint alleged that the defendants (1) made false threats to induce payments, including threats of arrest, imprisonment, and property garnishment; (2) inflated the amount of the outstanding debt in order to convince consumers to reach settlements for the full amount actually owed; (3) disclosed the debt to third parties; (4) harassed consumers with repeated phone calls; and (5) failed to provide legally required disclosures. The agencies alleged that they received multiple consumer complaints about each of these alleged categories of illegal tactics.

The defendants agreed to the proposed settlement without admitting these allegations, though they consented to permanent bans from the debt collection industry and the entry of an order to pay \$4

million, with an escalator clause to \$5 million if payments are not made timely.

RESOURCES:

You can review all of the relevant court filings and press releases at the [CFPB's Enforcement page](#).

- [Amended Complaint](#)
- [Proposed Stipulation and Final Judgment](#)
- [CFPB Press Release](#)

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