

Enforcement Alert from Hudson Cook; Debt-Relief Enterprise Forced into Receivership by CFPB, Seven States

January 23, 2024 | [Mark E. Rooney](#) and [Mark D. Metrey](#)

HIGHLIGHTS:

- The Consumer Financial Protection Bureau ("CFPB") and Attorneys General from seven states recently obtained a temporary restraining order ("TRO") against a debt-settlement enterprise and forced it into receivership.
- The complaint alleges that an enterprise of connected companies (the "Company") collected illegal advance fees from consumers and falsely guaranteed legal services to provide debt relief.
- The complaint aims to halt the alleged illicit activities of the Company and compel the Company to pay redress to affected consumers and a civil money penalty.
- A federal district court granted a temporary restraining order against the Company and forced it into receivership on January 11, 2024.

CASE SUMMARY:

On January 10, 2024, the CFPB and Attorneys General from seven states filed a complaint against the Company and the individuals in charge for allegedly operating a debt-relief scheme that has been harming consumers since January 2016. The complaint alleges violations of the Telemarketing Sale Rule ("TSR"), the Telemarketing and Consumer Fraud and Abuse Prevention Act ("Telemarketing Act"), and the Consumer Financial Protection Act of 2010 ("CFPA").

The complaint noted two particular instances of harm towards consumers: (1) charging illegal advance fees and (2) falsely claiming that lawyers will provide debt relief on their behalf. The CFPB alleges that the Company charges and collects pre-determined fees prior to any debts being settled and without any connection to the settlements or debt-relief savings. To date, over \$100 million has been allegedly collected by the Company prior to any of it going towards debt-relief payments.

The other instance of ongoing harm alleged is the Company's claim to consumers that lawyers will aid in their debt-relief. According to the complaint, the Company allegedly leads consumers to believe that lawyers are hired to negotiate their debt-relief payoff amounts; however, it is the Company and its employees, who are not licensed attorneys, conducting these negotiations, not lawyers.

The CFPB, by its authority under the Consumer Financial Protection Act, sought a temporary restraining

order, which was granted by the U.S. District Court for the Western District of New York. The complaint seeks further redress including restitution to affected consumers and a civil money penalty. The court's TRO also placed the Company into receivership. The Company filed a motion to dissolve the TRO on January 18; the case is ongoing.

RESOURCES:

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

- [Complaint](#)
- [CFPB Press Release](#)

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