

Hudson Cook Enforcement Alert: CFPB Issues Order Against a Private Dispute Resolution Platform

October 10, 2024 | [Michael A. Goodman](#) and [Gabriela Chambi](#)

HIGHLIGHTS:

- The Consumer Financial Protection Bureau ("CFPB") filed a stipulation and consent order against a private dispute resolution platform ("Company") to resolve alleged deceptive acts and practices in violation of the Consumer Financial Protection Act ("CFPA").
- The Company neither admitted nor denied the allegations.
- The Company is permanently banned from arbitrating disputes that involve consumer financial products or services, it has been prohibited from making misrepresentations to consumers in connection with any consumer financial product or service, and based on sworn financial statements from the Company was issued a \$1 civil money penalty.
- The Company had ties to another business that the CFPB and 11 state attorneys general permanently shut down in 2023 for its alleged illegal student lending practices.

CASE SUMMARY:

On October 10, 2024, the CFPB announced that it issued a stipulation and consent order against the Company to resolve allegations that the Company violated the CFPA. The consent order alleges that the Company, since April 2022, had commenced arbitrations against consumers who were allegedly required to agree to the Company's terms of service before they could view or respond to claims related to consumers' alleged default on income share loans. The consent order alleges that these default claims were made by another business the Company had ties to. Further, the consent order alleges that the Company's terms of service did not allow consumers to opt out if the consumers wanted to view the claim filed against them. As mentioned above, the CFPB alleges the Company had ties to another business that was shut down in 2023. These ties led to this other business initiating at least 300 initial arbitrations on the Company's platform to receive certain agreed upon rates. Thus, the CFPB found that the Company deceived consumers about the nature of the arbitration proceedings, the Company's neutrality,

and the consequences of consumers' actions or inaction on the Company's platform. Further, the CFPB found that the Company's attempts to bind consumers to its terms of service infringed on the consumers' ability to "obtain information"; "engage in live testimony"; and "contest jurisdiction."

The consent order permanently bans the Company from engaging in any arbitration activity in connection with consumer financial disputes; prohibits the Company from making misrepresentations related to arbitration proceedings in connection with consumer financial products or services; and orders the Company to pay a \$1 civil money penalty.

RESOURCES:

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

- [Stipulation](#)
- [Consent Order](#)
- [Press Release](#)

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