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Is Purchasing Debt Without a License an Unlawful Collection Activity?

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Folks in the consumer credit industry know that it can be easy to run afoul of collection restrictions. From the number of times you are allowed to contact a delinquent buyer to what you are allowed to say when you do make contact, state and federal restrictions abound. And, in some states, merely purchasing a debt without a license can be an unlawful collection action. As a result, a recent ruling out of New Jersey offers a welcome bit of relief. The New Jersey Appellate Court found that the purchase of debt without a license did not give rise to a collection violation.

In the case, *Valentine v. Unifund CCR, LLC, No. A-0835-23*, 2025 WL 1304173 (N.J. Super. Ct. App. Div. Mar. 6, 2025), a consumer sued the company that purchased her delinquent debt, Distressed Asset Portfolio (DAP). The consumer, Cassandra Valentine, argued that New Jersey requires a sales finance company license or consumer loan license to purchase a debt. Valentine alleged that DAP was not licensed when it purchased her debt and therefore the debt was void. By engaging in collection activity on a debt that was void, Valentine claimed that DAP misrepresented her debt in violation of the federal Fair Debt Collection Practices Act.

DAP moved to dismiss Valentine's case and the trial court agreed. Accepting what Valentine said as true, the court nonetheless found that the New Jersey licensing law, the New Jersey Consumer Finance Licensing Act, did not provide a private right of action. Valetine was not allowed to circumvent the lack of a private right of action by "bootstrapping" an FDCPA claim to the alleged licensing violation.

Valentine appealed the dismissal, arguing that there is a private right of action under New Jersey's licensing law. The appellate court disagreed, upholding the dismissal of Valentine's case. The appellate court found that the New Jersey licensing law provided various enforcement mechanisms to the Commissioner of the Department of Banking and Insurance, but it did not provide a private right of action to consumers. Valentine, therefore, could not bring a claim for a license violation. And, as the FDCPA claim rested on showing the license violation, she could not prove the collection claim.

The court's holding is welcome. If a consumer has no authority to sue a creditor for a license violation, the consumer shouldn't be able to get around that lack of authority by using an FDCPA claim. As the court noted, that type of piggybacking shouldn't be allowed. However, this case also serves as a reminder that a number of states require a

license to purchase debt or delinquent debt. And, in some states, the lack of license will give rise to a private right of action that could void the debt or open the door to a collection claim. If you are purchasing loans or retail installment contracts and are not confident of your licensing authority, it might be time to call counsel.

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