

CFPB Alert from Hudson Cook, LLP: CFPB Obtains Bans Against Student-Loan Debt Relief Companies and CEO

April 29, 2022 | [Lucy E. Morris](#) and [Michael C. Essiaw](#)

HIGHLIGHTS:

- CFPB filed a proposed stipulated final judgment to resolve allegations against affiliated debt relief companies and their top executive concerning alleged wrongful fee-charging practices and deceptive telemarketing in violation of the Consumer Financial Protection Act and the Telemarketing Sales Rule.
- Without admitting or denying liability, the defendants each consented to industry bans and entry of a monetary judgment exceeding \$11 million, although all but the \$30,000 civil money penalty was suspended.
- This resolution is another example of CFPB's recent emphasis on potential wrongdoing by debt relief companies and student-loan borrowers, and the imposition of industry bans is another example of Director Chopra's tough enforcement stance.

Case Summary

On April 29, 2022, the CFPB announced a proposed stipulated resolution in a case that it originally filed on November 5, 2020, in California federal court against a general debt-settlement company, a student loan debt relief business, and their joint CEO. The CFPB alleged that the student-loan debt relief company charged over 9,000 consumers approximately \$10.5 million in illegal upfront fees. Further, the CFPB alleged that the debt settlement company used deceptive sales tactics to register certain customers for debt-relief services, including through a "ruse" in which sales agents falsely told customers that they were being considered for new loans. Finally, the Bureau alleged that the top official participated directly in the violations and had the authority to control them as the CEO of both companies, sole owner of the student loan debt relief company, and majority owner of the general debt settlement company.

In addition to \$11 million in monetary relief, all of which is suspended, and a \$30,000 civil money penalty to be paid by the CEO, the order imposes industry bans on each defendant.

Resources:

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

- [Proposed Order](#)
- [CFPB Press Release](#)

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