

CFPB Enforcement Alert from Hudson Cook, LLP: CFPB Orders Debt-Relief Payment Processors to Pay More Than \$11 Million and Imposes Industry Bans

May 11, 2022 | [Lucy E. Morris](#) and [Erik Kosa](#)

HIGHLIGHTS:

- The CFPB announced an \$11 million resolution of Telemarketing Sales Rule and Consumer Financial Protection Act claims against debt-relief payment processors and two individuals for allegedly collecting improper fees from consumers, misleading consumers about when the fees would be paid to debt-relief companies, sending advance fees to debt-relief companies before they were legally allowed to do so, and failing to return funds to consumers who cancelled debt relief agreements.
- The respondents neither admitted nor denied the allegations but consented to an injunction involving an industry ban for one corporate respondent and the two individuals, remedial measures for the remaining corporate respondent (including being subject to the CFPB's supervisory authority for the duration of the consent order), and \$8 million in restitution plus a \$3 million penalty.

CASE SUMMARY:

On May 11, 2022, the CFPB issued an order against providers of account maintenance and payment-processing services to consumers who were enrolled in student loan and traditional debt relief programs for marketing these services in violation of the Telemarketing Sales Rule and the Consumer Financial Protection Act.

Specifically, the Bureau alleged the respondents unlawfully collected, processed, and disbursed fees from consumers before the consumers' debts had actually been renegotiated or a new payment had been made, as required by law. The CFPB further alleged that the respondents misled consumers into believing that they would not disburse fees until the debt-relief companies with whom they worked had earned them but failed to confirm such fees were actually earned before disbursing them. In addition, the Bureau alleged that the respondents paid illegal commissions to third-party marketers in exchange for customer referrals. The CFPB contended that these practices constituted violations of the Telemarketing Sales Rule, as well as unfair and deceptive acts or practices under the Consumer Financial Protection Act.

The respondents did not admit these allegations, but to resolve the matter agreed to an injunction imposing industry bans and remedial measures, as well as \$8,676,180 in restitution to consumers and a \$3 million civil money penalty. The order bans one corporate respondent from the debt-relief payment-processing and account maintenance industry while imposing remedial measures and the CFPB's supervisory authority on the second corporate respondent. It also imposes industry bans on the two individual respondents for providing "substantial assistance" in furtherance of the alleged violations.

RESOURCES:

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

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

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