



Enforcement Alert from Hudson Cook; CFPB Agrees to Settlement with Credit Repair Companies for \$2.7 Billion And Ten-Year Industry Ban

August 29, 2023 | [Mark E. Rooney](#) and [Robert D. Tilley](#)

HIGHLIGHTS:

- The CFPB filed a proposed stipulated judgment and order—which will take effect if approved by the federal district court—including \$2.66 billion for consumer redress and \$64 million in civil penalties.
- The companies neither admitted nor denied the CFPB's factual allegations, but they agreed to the settlement and stipulated to the entry of an order that will ban them from engaging in any activities relating to the telemarketing of credit repair services for ten years.

CASE SUMMARY:

In May 2019, the CFPB initially sued six associated companies for allegedly violating the Consumer Financial Protection Act's prohibition against deceptive practices and the Telemarketing Sales Rule ("TSR"). Among other things, the Bureau alleged that the companies' practice of billing clients in advance for credit repair services violated the TSR's prohibition on charging fees "for telemarketed credit repair unless it has been six months since the company achieved the promised results." On March 10, 2023, the district court granted partial summary judgment on TSR liability in the Bureau's favor. Following that ruling, according to the Bureau, the companies filed for Chapter 11 bankruptcy protection and closed the vast majority of their business. On August 28, 2023, the parties filed a proposed stipulated final judgment to resolve the Bureau's claims.

In order to resolve the case, the companies agreed to the following remedial measures as outlined in the consent order, which still needs court approval:

- The companies are enjoined for a period of ten years against direct or indirect participation in telemarketing of credit repair services, or offering any credit repair services that are advertised, promoted, or sold through telemarketing.
- The companies will provide notice of the settlement to affected consumers.
- The companies will be ordered to pay \$2.66 billion for consumer redress.
- The court will impose more than \$64 million in civil money penalties against two of the

companies.

RESOURCES:

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

- [Proposed Stipulated Judgment and Order](#)
- [CFPB's Amended Complaint](#)
- [CFPB Press Release](#)

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