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Hudson Cook Enforcement Alert: Multistate Consumer Protection Investigation Settled Without Admission of Liability by Auto Finance Company

September 25, 2026 | Nicole F. Munro and Kristen Yarows

HIGHLIGHTS:

- Forty states and the District of Columbia agreed to resolve litigation and a years-long multistate investigation involving a large subprime auto finance company, resulting in $15.5 million to the participating attorneys general, $60 million to a consumer relief fund, and $634 million in consumer debt relief in the form of balance waivers

- The settlement resolves allegations that the company financed motor vehicle retail installment and contracts the company knew or should have known the consumers could not afford, and conduct the Coalition characterized as unfair, deceptive, and/or abusive under state consumer protection laws

- The settlement requires the company to comply with operational and compliance requirements governing affordability, dealer conduct related to vehicle selling price, and GAP and service contract sales

- The operative requirements closely track the FTC's CARS Rule and the FTC's recent vehicle pricing guidance, effectively pushing dealer-facing obligations upstream to an indirect auto finance company

CASE SUMMARY:

On September 17, 2026, a large subprime auto finance company (the "company") reached a proposed settlement with a coalition of New York, 39 other states, and the District of Columbia (the "Coalition") concluding a lawsuit initiated by the New York Attorney General and the Consumer Financial Protection Bureau ("CFPB") in January 2023. The CFPB moved to withdraw from the case on April 24, 2025, and the court granted the motion on April 29, 2025. The New York Attorney General continued the case.

The Coalition alleged that the company purchased motor vehicle retail installment sale contracts that the company knew or should have known consumers could not afford. We note that the settlement contains no adjudication or finding that the company knowingly financed unaffordable contracts. The Coalition also alleged that the company incentivized auto dealers to include certain voluntary protection products with the financed transactions through their dealer compensation methodology and failed to oversee those dealers' actions. The Coalition alleged that these practices led consumers to believe the products were either mandatory or were simply purchased without the consumers' consent. The Coalition advanced these claims as unfair and deceptive acts or practices and, notably, as abusive acts or practices under the Consumer Financial Protection Act. As with the affordability allegations, the consent orders contain no adjudication or finding on the ancillary product allegations, and the company did not admit any liability or wrongdoing.

The proposed consent orders require the company to pay $15.5 million to participating attorneys general for their investigation. The company is also required to pay $60 million to a consumer relief fund to be administered at the direction of an executive committee of the participating attorneys general. For certain transactions originated after December 1, 2025, the consent orders require the company to provide debt relief to consumers with certain credit scores whose vehicles have been involuntarily repossessed and sold shortly after origination. The Coalition also requires the company to forgive outstanding balances remaining for more than 56,000 accounts originated between November 2015 and November 2025, in an amount estimated at $634 million, as of December 1, 2025.

This settlement may be one of the most important state AG settlements of recent years, providing a detailed roadmap of state enforcement expectations relating to vehicle selling prices, affordability, ancillary products, and dealer oversight by indirect auto finance companies. Going forward, the company is subject to a detailed set of operational and compliance requirements, a number of which expressly require the company to continue existing practices rather than adopt new ones. Most significantly, the consent orders cap the selling price of vehicles to no more than 109% of the highest retail book value for a period of seven years for consumers with credit scores less than 600. For certain high-risk customers whose vehicles are repossessed and sold quickly, collections of the deficiency balance are limited. For those consumers with lower credit scores or who are credit invisible, the company must provide risk disclosures and financial literacy resources, while also verifying income on the front end, and providing hardship relief, such as payment deferrals and favorable settlement offers, on the back end. The company also must continue to take steps to prevent voluntary protection products from being added to a deal without a consumer's written consent, including by contacting the consumer, in writing, within ten days of accepting the assignment of the contract, to provide key information about the purchased products, including the product type, the cancellation process, and the cost with and without the products. The consent orders further provide that the company will not use starter interrupt devices. The Maryland judgment includes a state-specific provision prohibiting the company from passing along to consumers the expenses of preparing a vehicle for sale in Maryland.

The company issued a statement that, "[t]he settlement allows all parties to move forward and was reached without any admission of wrongdoing[.]"

RESOURCES:

You can review the relevant court filings and the NY consent order here:

- Complaint
- Proposed Consent Order and Judgment

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7037 Ridge Road, Suite 300, Hanover, Maryland 21076
410.684.3200

hudsoncook.com