DEC 16 2015

CFPB Orders EZCORP to Pay $10 Million for Illegal Debt Collection Tactics

Bureau Issues Industry-Wide Warning On Home, Workplace Debt Collection Risks

WASHINGTON, D.C. — The Consumer Financial Protection Bureau (CFPB) today took action against EZCORP, Inc., a small-dollar lender, for illegal debt collection practices. These tactics included illegal visits to consumers at their homes and workplaces, empty threats of legal action, lying about consumers' rights, and exposing consumers to bank fees through unlawful electronic withdrawals. The Bureau ordered EZCORP to refund $7.5 million to 93,000 consumers, pay $3 million in penalties, and stop collection of remaining payday and installment loan debts owed by roughly 130,000 consumers. It also bars EZCORP from future in-person debt collection. In addition, the Bureau issued an industry-wide warning about collecting debt at homes or workplaces.

"People struggling to pay their bills should not also fear harassment, humiliation, or negative employment consequences because of debt collectors," said CFPB Director Richard Cordray. "Borrowers should be treated with common decency. This action and this bulletin are a reminder that we will not tolerate illegal debt collection practices."

Until recently, EZCORP, headquartered in Austin, Tex., and its related entities provided high-cost, short-term, unsecured loans, including payday and installment loans, in 15 states and from more than 500 storefronts. It did this under names including "EZMONEY Payday Loans," "EZ Loan Services," "EZ Payday Advance," and "EZPAWN Payday Loans." On July 29, 2015, after the Bureau launched its investigation, EZCORP announced that it would cease offering payday, installment, and auto-title loans in the United States.

The CFPB found that EZCORP collected debts from consumers through unlawful in-person collection visits at their homes or workplaces, risked exposing consumers' debts to third parties, falsely threatened consumers with litigation for non-payment of debts, and unfairly made multiple electronic withdrawal attempts from consumer accounts, causing mounting bank fees. The CFPB alleges that EZCORP violated the Electronic Fund Transfer Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act's prohibition against unfair and deceptive acts or practices. Specifically, the CFPB's investigation found that EZCORP:

- **Visited consumers' homes and workplaces to collect debt in an unlawful way:** Until at least October 2013, EZCORP made in-person collection visits that disclosed or risked disclosing consumers' debt to third parties, and caused or risked causing adverse employment consequences to consumers such as disciplinary actions or firing.
- **Illegally contacted third parties about consumers' debts and called**

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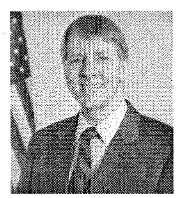
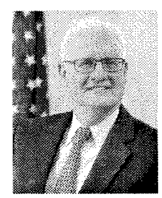


Director Rich Cordray



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consumers at their workplaces despite being told to stop: Debt collectors called credit references, supervisors and landlords, and disclosed or risked disclosing debts to third parties, potentially jeopardizing consumers' jobs or reputations. It also ignored consumers' requests to stop calls to their workplaces.

- **Deceived consumers with threats of legal action:** In many instances, EZCORP threatened consumers with legal action. But in practice, EZCORP did not refer these accounts to any law firm or legal department and did not take legal action against consumers on those accounts.
- **Lied about not conducting credit checks on loan applicants:** From November 2011 to May 2012, EZCORP claimed in some advertisements it would not conduct a credit check on loan applicants. But EZCORP routinely ran credit checks on applicants targeted by those ads.
- **Required debt repayment by pre-authorized checking account withdrawals:** Until January 2013, EZCORP required many consumers to repay installment loans through electronic withdrawals from their bank accounts. By law, consumers' loans cannot be conditioned on pre-authorizing repayment through electronic fund transfers.
- **Exposed consumers to fees through electronic withdrawal attempts:** EZCORP would often make three simultaneous attempts to electronically withdraw money from a consumer's bank account for a loan payment: for 50 percent, 30 percent, and 20 percent of the total due. The company also often made withdrawals earlier than promised. As a result, tens of thousands of consumers incurred fees from their banks, making it even harder to climb out of debt when behind on payment.
- **Lied to consumers that they could not stop electronic withdrawals or collection calls or repay loans early:** EZCORP told consumers the only way to stop electronic withdrawals or collection calls was to make a payment or set up a payment plan. In fact, EZCORP's consumers could revoke their authorization for electronic withdrawals and demand that EZCORP's debt collectors stop calling. Also, EZCORP falsely told consumers in Colorado that they could not pay off a loan at any point during the loan term, or could not do so without penalty. Consumers could in fact repay the loan early, which would save them money.

Enforcement Action

Under the Dodd-Frank Act, the CFPB is authorized to take action against institutions or individuals engaged in unfair, deceptive or abusive acts or practices, or that otherwise violate federal consumer financial laws. Under the consent order, EZCORP must:

- **Pay $7.5 million to 93,000 consumers:** EZCORP is ordered to refund $7.5 million to about 93,000 consumers who made payments after illegal in-person collection visits or who paid fees to EZCORP or their banks because of unauthorized or excessive electronic withdrawal attempts covered by this order.
- **Stop collection of its remaining payday and installment debt:** EZCORP must stop collection of an estimated tens of millions of dollars in defaulted payday and installment loans allegedly owed by about 130,000 consumers, and may not sell those debts to any third parties. It must also request that consumer reporting agencies amend, delete, or suppress any negative information related to those debts.
- **Stop illegal debt collection practices:** If EZCORP decides again to offer payday or installment loans, it cannot, among other practices, make in-person

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collection visits, call consumers at their workplace without specific written permission from the consumer, or attempt electronic withdrawals after a previous attempt failed because of insufficient funds without consumers' permission.

- **Pay a civil penalty of $3 million:** EZCORP must pay a penalty of $3 million to the CFPB's Civil Penalty Fund.

The full text of the CFPB's consent order is available at: http://files.consumerfinance.gov/f/201512_cfpb_ezcorp-inc-consent-order.pdf

Warning Against Illegal Debt Collection Tactics

Today, the CFPB also issued a bulletin warning the financial services industry, and in particular lenders and debt collectors, about potentially unlawful conduct during in-person collections. Lenders and debt collectors risk engaging in unfair or deceptive acts and practices that violate the Dodd-Frank Act and the Fair Debt Collection Practices Act when going to consumers' homes and workplaces to collect debt.

The bulletin highlights that in-person collection visits may be harassment and may result in third parties, such as consumers' co-workers, supervisors, roommates, landlords, or neighbors, learning that the consumer has debts in collection. Revealing such information to third parties could harm the consumer's reputation and result in negative employment consequences. The bulletin also highlights that it is illegal for those subject to the law to engage in practices such as contacting consumers to collect on debt at times or places known to be inconvenient to the consumer, except in very limited circumstances.

The bulletin offering guidance on debt collection practices can be found here: http://files.consumerfinance.gov/f/201512_cfpb_compliance-bulletin-in-person-collection-of-consumer-debt.pdf

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.

JUL 10 2014

CFPB Takes Action Against ACE Cash Express for Pushing Payday Borrowers Into Cycle of Debt

ACE to Pay $10 Million for Using Illegal Debt Collection Tactics to Pressure Consumers Into Debt Traps

WASHINGTON, D.C. — Today, the Consumer Financial Protection Bureau (CFPB) took enforcement action against ACE Cash Express, one of the largest payday lenders in the United States, for pushing payday borrowers into a cycle of debt. The CFPB found that ACE used illegal debt collection tactics – including harassment and false threats of lawsuits or criminal prosecution – to pressure overdue borrowers into taking out additional loans they could not afford. ACE will provide $5 million in refunds and pay a $5 million penalty for these violations.

“ACE used false threats, intimidation, and harassing calls to bully payday borrowers into a cycle of debt,” said CFPB Director Richard Cordray. “This culture of coercion drained millions of dollars from cash-strapped consumers who had few options to fight back. The CFPB was created to stand up for consumers and today we are taking action to put an end to this illegal, predatory behavior.”

ACE is a financial services company headquartered in Irving, Texas. The company offers payday loans, check-cashing services, title loans, installment loans, and other consumer financial products and services. ACE offers the loans online and at many of its 1,500 retail storefronts. The storefronts are located in 36 states and the District of Columbia.

Payday loans are often described as a way for consumers to bridge a cash-flow shortage between paychecks or other income. They are usually expensive, small-dollar loans that must be repaid in full in a short period of time. A March 2014 CFPB study found that four out of five payday loans are rolled over or renewed within 14 days. It also found that the majority of all payday loans are made to borrowers who renew their loans so many times that they end up paying more in fees than the amount of money they originally borrowed.

The CFPB has authority to oversee the payday loan market and began supervising payday lenders in January 2012. Today's action resulted from a CFPB examination, which the Bureau conducted in coordination with the Texas Office of Consumer Credit Commissioner, and subsequent enforcement investigation.

Illegal Debt Collection Threats and Harassment

The CFPB found that ACE used unfair, deceptive, and abusive practices to collect consumer debts, both when collecting its own debt and when using third-party debt

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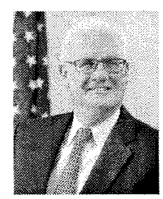

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collectors to collect its debts. The Bureau found that ACE collectors engaged in a number of aggressive and unlawful collections practices, including:

- **Threatening to sue or criminally prosecute:** ACE debt collectors led consumers to believe that they would be sued or subject to criminal prosecution if they did not make payments. Collectors would use legal jargon in calls to consumers, such as telling a consumer he could be subject to "immediate proceedings based on the law" even though ACE did not actually sue consumers or attempt to bring criminal charges against them for non-payment of debts.

- **Threatening to charge extra fees and report consumers to credit reporting agencies:** As a matter of corporate policy, ACE's debt collectors, whether in-house or third-party, cannot charge collection fees and cannot report non-payment to credit reporting agencies. The collectors, however, told consumers all of these would occur or were possible.

- **Harassing consumers with collection calls:** Some ACE in-house and third-party collectors abused and harassed consumers by making an excessive number of collection calls. In some of these cases, ACE repeatedly called the consumers' employers and relatives and shared the details of the debt.

Pressured into Payday Cycle of Debt

The Bureau found that ACE used these illegal debt collection tactics to create a false sense of urgency to lure overdue borrowers into payday debt traps. ACE would encourage overdue borrowers to temporarily pay off their loans and then quickly re-borrow from ACE. Even after consumers explained to ACE that they could not afford to repay the loan, ACE would continue to pressure them into taking on more debt. Borrowers would pay new fees each time they took out another payday loan from ACE. The Bureau found that ACE's creation of the false sense of urgency to get delinquent borrowers to take out more payday loans is abusive.

ACE's 2011 training manual has a graphic illustrating this cycle of debt. According to the graphic, consumers begin by applying to ACE for a loan, which ACE approves. Next, if the consumer "exhausts the cash and does not have the ability to pay," ACE "contacts the customer for payment or offers the option to refinance or extend the loan." Then, when the consumer "does not make a payment and the account enters collections," the cycle starts all over again—with the formerly overdue borrower applying for another payday loan.

The ACE cycle-of-debt training manual graphic is available at:
http://files.consumerfinance.gov/f/201407_cfpb_graphic_ace-cash-express-loan-process.pdf

Enforcement Action

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB has the authority to take action against institutions engaging in unfair, deceptive, or abusive practices. The CFPB's order requires ACE to take the following actions:

- **Pay $5 million in consumer refunds:** ACE must provide $5 million in refunds to the overdue borrowers harmed by the illegal debt collection tactics during the period covered by the order. These borrowers will receive a refund of their payments to ACE, including fees and finance charges. ACE consumers will be contacted by a third-party settlement administrator about how to make a claim for a refund.

- **End illegal debt collection threats and harassment:** The order requires

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ACE to ensure that it will not engage in unfair and deceptive collections practices. Those practices include, but are not limited to, disclosing debts to unauthorized third parties; directly contacting consumers who are represented by an attorney; and falsely threatening to sue consumers, report to credit bureaus, or add collection fees.

- **Stop pressuring consumers into cycles of debt:** ACE's collectors will no longer pressure delinquent borrowers to pay off a loan and then quickly take out a new loan from ACE. The Consent Order explicitly states that ACE may not use any abusive tactics.

- **Pay a $5 million fine:**ACE will make a $5 million penalty payment to the CFPB's Civil Penalty Fund.

The full text of the Bureau's Consent Order is available at:
http://files.consumerfinance.gov/f/201407_cfpb_consent-order_ace-cash-express.pdf

CFPB takes complaints about payday loans. To submit a complaint, consumers can:

- Go online at consumerfinance.gov/complaint
- Call the toll-free phone number at 1-855-411-CFPB (2372) or TTY/TDD phone number at 1-855-729-CFPB (2372)
- Fax the CFPB at 1-855-237-2392
- Mail a letter to: Consumer Financial Protection Bureau, P.O. Box 4503, Iowa City, Iowa 52244

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FTC and Illinois Attorney General Halt Chicago-Area Operation Charged with Collecting and Selling Phantom Payday Loan Debts

FOR RELEASE

March 30, 2016

TAGS: deceptive/misleading conduct | Finance | Bureau of Consumer Protection | Midwest Region | Consumer Protection | Credit and Finance | Debt Collection

At the request of the Federal Trade Commission and the Illinois Attorney General, a federal court has temporarily halted a Chicago-area operation that allegedly threatened and intimidated consumers to collect phantom payday loan "debts" they did not owe, or did not owe to the defendants. The defendants also allegedly illegally provided portfolios of fake debt to other debt collectors – this is the FTC's first case alleging that practice.

"It's illegal to harass people to pay debts they clearly don't owe, and to sell phony debts to other debt collectors," said Jessica Rich, Director of the FTC's Bureau of Consumer Protection. "We're proud to partner with the Illinois Attorney General to halt these egregious debt collection practices."

"Phantom debt collection is one of the most brazen scams today," Illinois Attorney General Lisa Madigan said. "With the FTC, we are working to protect consumers by shutting down these scam operations."

The case against six companies and three individuals who used names such as Stark Law, Stark Recovery, and Capital Harris Miller & Associates is part of Operation Collection Protection, an ongoing federal-state-local crackdown on collectors that use deceptive and abusive collection practices.

According to the complaint, since at least 2011, the defendants used a host of business names to target consumers who obtained or applied for payday or other short-term loans, pressuring them into paying debts they either did not owe or that the defendants had no authority to collect.

The complaint charges that the defendants called consumers and demanded immediate payment for supposedly delinquent loans, often armed with consumers' sensitive personal and financial information. Defendants also allegedly threatened consumers with lawsuits or arrest, and falsely said they would be charged with "defrauding a financial institution" and "passing a bad check" – even though failing to pay a private debt is not a crime. In addition, the complaint claims that since 2015, the defendants have held themselves out as a law firm with authority to sue and obtain substantial judgments against delinquent consumers.

The defendants also allegedly harassed consumers with improper phone calls, disclosed debts to relatives, friends and co-workers, failed to notify consumers of their right to receive verification of the purported debts, and failed to register as a debt collector in Illinois, as required by state law.

The complaint notes that in response to the defendants' repeated calls and alleged threats, many consumers paid the debts, even though they may not have owed them, because they believed the defendants would follow through on their threats or they simply wanted to end the harassment.

In addition to illegal collection allegations, the defendants are charged with providing bogus payday loan debt portfolios to other debt buyers, who then tried to collect the fake debts. According to the complaint, the defendants represented that the portfolios included delinquent debts owed to specified lenders and that the defendants had the right to market those lenders' debts. However, those lenders had not made loans to the consumers identified in the portfolios, or authorized the defendants to market any of their debts.

The defendants are Stark Law LLC, also doing business as Stark Recovery; Stark Legal LLC; Ashton Asset Management Inc.; CHM Capital Group LLC, also d/b/a Capital Harris Miller & Associates; HKM Funding Ltd.; Pacific Capital Holdings Inc., formerly known as Charles Hunter Miller & Associates Inc. and also d/b/a Pacific Capital; Hirsh Mohindra, also d/b/a Ashton Lending LLC; Gaurav Mohindra; and Preetesh Patel.

The FTC and the Illinois Attorney General's Office thank the Village of Westmont Police Department and Better Business Bureau of Chicago and Northern Illinois for their valuable assistance with this matter.

In addition, since the FTC's Operation Collection Protection announcement in January:

> The Consumer Financial Protection Bureau has resolved four debt collection law enforcement actions and issued Supervisory Highlights, a report highlighting debt collection supervision work generally completed between September and December of 2015.
>
> The Minnesota Department of Commerce took eight actions. It imposed fines of up to $50,000 against Alliant Capital Management LLC, Premier Recovery Group JD and Associates, Mountain West Legal Solutions, Credence Resource Management LLC, Selene Finance, and Credit Protection Association for various violations, including failing to obtain a collection agency license, failing to properly register collectors, and using deceptive, abusive, or unlawful collection tactics. It also obtained a court order placing Weinerman and Associates into receivership for improperly handling client funds, failing to maintain a license, and other violations.
>
> The Idaho Department of Finance revoked the licenses of Oxford Law LLC and RJM Acquisitions LLC for failing to maintain a surety bond as required by state law.
>
> The Colorado Department of Law entered into a stipulated final order against Collecto Inc., d/b/a EOS CAA, imposing a $99,000 penalty for violating notice requirements for consumers and improper credit reporting.
>
> The Pennsylvania Attorney General's office filed an Assurance of Voluntary Compliance with Foot and Ankle Surgery Center LLC, providing for $7,000 in civil penalties plus costs of investigation for allegedly unlawful collection notices that falsely indicated that they were official court documents or legal papers.
>
> The Indiana Attorney General's Office entered into an Assurance of Voluntary Compliance with RoTech Holdings Ltd. to resolve allegations that the respondents unlawfully harassed and deceived consumers. The AVC prohibits RoTech from collecting debt from Indiana consumers, and orders it to pay nearly $5,000.

The Commission vote authorizing the staff to file the complaint was 4-0. The complaint was filed in the U.S.

District Court for the Northern District of Illinois, Eastern Division. The court granted the FTC's request for a temporary restraining order on March 22, 2016.

NOTE: The Commission files a complaint when it has "reason to believe" that the law has been or is being violated and it appears to the Commission that a proceeding is in the public interest. The case will be decided by the court.

To learn more, read *Phantom debts and fake collection notices*.

The Federal Trade Commission works to promote competition, and protect and educate consumers. You can learn more about consumer topics and file a consumer complaint online or by calling 1-877-FTC-HELP (382-4357). Like the FTC on Facebook, follow us on Twitter, read our blogs and subscribe to press releases for the latest FTC news and resources.

PRESS RELEASE REFERENCE:
FTC and Federal, State and Local Law Enforcement Partners Announce Nationwide Crackdown Against Abusive Debt Collectors

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