

Recent CFPB Actions Highlight Focus on Debt Collection

August 19, 2021

On August 16, 2021, the Consumer Financial Protection Bureau (CFPB) [filed a proposed settlement](#) to resolve a [2019 lawsuit](#) against a debt collection enterprise and its owner.

The [CFPB asserts](#) that the debt collection enterprise violated the Fair Credit Reporting Act (FCRA) and its implementing Regulation V by failing to:

1. Implement reasonable written policies and procedures governing the accuracy and integrity of the information it furnished to credit reporting agencies (CRAs), specifically with respect to the enterprise's handling of indirect disputes; and
2. Conduct reasonable investigations of indirect consumer disputes, including those related to identity theft. An indirect dispute is a dispute that a consumer submits to a CRA, as opposed to a dispute submitted to a furnisher of information.

The CFPB also alleges that the debt collection enterprise continued to furnish information about accounts with respect to which identity theft reports were filed directly to the enterprise before or without determining the accuracy of the furnished information, which resulted in inaccurate information remaining on consumers' credit reports. The CFPB also claims that the debt collection enterprise and its owner violated the Fair Debt Collection Practices Act's (FDCPA) prohibition on using false, deceptive, or misleading representations in connection with the collection of any debt when the enterprise informed consumers they owed certain debts, without a reasonable basis for such claims.

If the settlement is approved, it would require the debt collection enterprise and its owner to pay a \$850,000 civil money penalty, and implement policies and procedures that comply with the FCRA's requirements surrounding the accuracy and integrity of information furnished to CRAs. The debt collection enterprise also would be required to establish an identity theft report review program, and to develop written intake policies and procedures to monitor trends in disputes and to evaluate the accuracy and integrity of account information before the debt collection enterprise begins collections.

This lawsuit follows the CFPB's [recent announcement](#) that two final rules implementing the FDCPA will take effect November 30, 2021. In April 2021, the CFPB had proposed an extension of the two rules' effective dates to allow stakeholders impacted by the COVID-19 pandemic sufficient time for implementation; however, the CFPB rescinded the extension proposal after receiving public comment from stakeholders that generally indicated such an extension was not necessary. The first rule addresses communications with debt collectors, and provides additional guidance on the FDCPA's prohibitions on harassment and abuse, false and misleading representations, and unfair practices in the collection of debt. The second rule imposes disclosure requirements for debt collectors at the beginning of collection communications with consumers and before reporting the information to a CRA.

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