



## **Enforcement Alert from Hudson Cook; CFPB Orders Medical Debt Collection Company to Cease Certain Collection Practices and Pay \$1.675 Million Penalty**

June 14th, 2023 | and [Robert D. Tilley](#)

### **HIGHLIGHTS:**

- The CFPB ordered a medical debt collection company (the “Company”) to provide redress to consumers who received allegedly inappropriate debt collection letters after orally disputing debts, and to pay \$1.675 million in penalties to the CFPB.
- The Company neither admitted nor denied the CFPB’s factual allegations, but consented to the entry of an administrative order that imposed a number of prohibitions against future violations of relevant laws and other remedial measures.
- Among other remedial measures, the Company voluntarily submitted to the CFPB’s supervisory authority for the duration of the five-year consent order and agreed to establish and implement appropriate written policies and procedures concerning reasonable investigations of disputed debts.

### **CASE SUMMARY:**

On June 8, 2023, the CFPB filed an administrative consent order against a medical debt collection company headquartered in Indianapolis, Indiana. In the order, the CFPB detailed several alleged violations of the Fair Credit Reporting Act (“FCRA”) and its implementing regulations, the Fair Debt Collection Practices Act (“FDCPA”), and the Consumer Financial Protection Act of 2010 (“CFPA”). The order rested on three main allegations by the CFPB:

First, the CFPB found that the Company did not obtain sufficient information to investigate disputes from consumers about the validity of the debts that the Company collected. Rather, the Company’s written policies and procedures instructed employees only to compare the consumer’s identifying information—including their name, date of birth, and Social Security Number—to the data in the Company’s records, regardless of the nature of the consumer’s dispute. As a result, the Company did not have any procedures to determine whether the information that it received from its clients was accurate. Further, the Company did not have any procedures for investigating the specific allegations in a consumer’s dispute, beyond confirming the consumer’s personally identifiable information matched the information in the Company’s records.

Second, the Company “used an automated dispute-resolution program” to handle approximately 30% of its indirect disputes without any human involvement. This automated program similarly

compared the information that the Company furnished to consumer reporting agencies to the Company's internal records, without conducting any additional investigation. The Company failed to perform random reviews or audits of the automated processes, as required by its written policies.

Third, the Company sent debt collection letters after receiving consumer disputes "about the validity or accuracy of the purported debt," without receiving any substantiation for the debt. The Company's written policies and procedures provided in many cases that debt collection activities should continue "while [the Company] waits for documentation sufficient to substantiate the debt."

In order to resolve the case, the Company agreed to the following remedial measures:

- The Company will refund any amounts consumers paid on an unverified debt after receiving an allegedly unlawful collection letter.
- The Company will pay \$1.675 million in penalties to the CFPB.
- The Company will voluntarily be subject to the CFPB's supervisory authority.
- The Company will establish and implement written policies and procedures to ensure that it conducts reasonable investigations of disputes about information furnished to consumer reporting agencies.
- The company will establish and implement internal controls to identify practices that compromise the accuracy or integrity of information furnished to consumer reporting agencies.

#### **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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