



## Enforcement Alert from Hudson Cook, LLP: CFPB Sues Payday Lender for Allegedly Concealing Free Repayment Plans and Withdrawing Borrowers' Funds without Authorization

July 12th, 2022 | [Lucy Morris](#) and [Kristen Yarows](#)

### HIGHLIGHTS:

- The CFPB announced that it is filing a lawsuit against a payday lender for allegedly concealing free repayment plans and making unauthorized debit-card withdrawals.
- With its allegations of unfair, deceptive, and abusive acts or practices, it appears the Bureau is seeking to reinforce and support certain state laws that provide for free repayment plans in some instances.
- In the CFPB's press release accompanying the announcement, Director Chopra announced that this lawsuit is another example of the CFPB's focus on repeat offenders.

### CASE SUMMARY:

The complaint, filed in the U.S. District Court for the Northern District of Texas, alleges that the company engaged in unfair, deceptive, and abusive acts or practices by concealing the option of a free repayment option plan to consumers who indicated that they could not repay their loan. According to the complaint, this generated at least \$240 million in reborrowing fees and kept consumers in unaffordable cycles of debt. The CFPB also alleges that the company made at least 3,000 unauthorized debit-card withdrawals, which resulted in at least \$1.3 million being debited from over 3,000 borrowers. In 2014, the company entered into a consent order with the CFPB for allegedly using illegal debt collection tactics to pressure overdue borrowers into repeat borrowing. In the CFPB's press release, Director Chopra said, "Today's lawsuit is another example of the CFPB's focus on holding repeat offenders accountable."

The CFPB's lawsuit says that, in ten states, borrowers have the contractual right to one free repayment plan per year, but the CFPB alleges that the company instead pressured borrowers into refinances instead of free repayment plans. The lawsuit comes just months after the CFPB issued a [report](#) on no-cost extended repayment plans, which the Bureau says are required to be offered to borrowers in the majority of states that do not prohibit payday lending. In the report, Director Chopra stated that the CFPB's research suggested that no-cost extended repayment plans were not working as intended. The complaint seeks monetary relief for consumers, disgorgement or compensation for unjust gains, injunctive relief, and civil money penalties. The complaint is not a final finding or a ruling that the company violated the law.

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**RESOURCES:**

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

- [Complaint](#)
- [Press Release](#)

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