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FTC Increases Deterrence with Stepped Up Enforcement of the Fair Debt Collection Practices Act

FOR RELEASE

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Over the last year, the Federal Trade Commission has continued aggressive enforcement of the Fair Debt Collection Practices Act by bringing or resolving nine debt collection cases, according to the agency's [annual summary of debt collection activities](#).

"When it comes to debt collection, the FTC has many tools in its arsenal, including research, enforcement, and consumer education," said Jessica Rich, Director of the agency's Bureau of Consumer Protection. "But in the years since the financial crisis hit, we have increased our emphasis on law enforcement."

In 2013, the FTC obtained court orders stopping illegal debt collection activities in seven cases, and referred two other debt collection cases to the Department of Justice for civil penalties. In several of the cases, the FTC obtained temporary restraining orders halting the unlawful conduct, freezing the defendants' assets, and appointing receivers to take over operations while court proceedings progressed ([Asset & Capital Management Group](#) and [Goldman Schwartz Inc.](#)). The Commission also brought its first enforcement action regarding text message debt collection ([National Attorney Collection Services, Inc.](#)), continued to pursue "phantom" debt collectors ([Pinnacle Payment Services, LLC](#) and [Pro Credit Group, LLC](#)), and placed the largest third-party debt collector under an order that includes the agency's highest debt collection civil penalty



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Media Resources

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([Expert Global Solutions](#)). For the most egregious violators, the FTC obtained orders banning the responsible parties from ever participating in debt collection again ([Forensic Case Management Services, Inc.](#) and [Goldman Schwartz Inc.](#)).

The FTC also filed three *amicus* briefs in the last year. In its brief for the Seventh Circuit, the FTC argued that a payday lender's mandatory pre-dispute arbitration clauses may be unconscionable, in part because they require alleged debtors to arbitrate in a remote tribal court, effectively pressuring those consumers to abandon their legal claims or defenses. The FTC joined the Consumer Financial Protection Bureau in filing two other *amicus* briefs. The first, submitted to the Seventh Circuit, argued that a debt collector violates the law whenever its communications tend to [deceive or mislead consumers into believing that a time-barred debt could be the subject of a collection suit](#). The second, submitted to the Second Circuit, argued that [debt collectors whose process servers failed to notify consumers](#) that they were being sued violate the Fair Debt Collection Practices Act, which broadly prohibits deceptive and unfair collection practices in any form.

Besides enforcement, the FTC's [debt collection program](#) includes education and public outreach as well as research and policy initiatives. The FTC's consumer education work in debt collection, includes the launch last year of its [Financial Educators](#) site. The site addresses personal finance topics, including credit and debt, among other things. The FTC also collaborated with ChildFocus, Inc. and the Annie E. Casey Foundation to help produce the free guide, *Youth and Credit: Protecting the Credit of Youth in Foster Care*, which discusses credit issues facing the more than 26,000 children in the United States who age out of foster care every year. Finally, as part of the FTC's Legal Services Collaboration project, FTC staff met with legal services providers in cities around the nation to discuss various consumer protection issues, including the FTC's work in the debt collection arena.

The FTC's research and policy activities include the [Life of a Debt Roundtable Event](#), which examined data integrity in debt collection and the flow of consumer data throughout the debt collection process.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB is required to submit annual reports to Congress on the Fair Debt Collection Practices Act. The FTC shares federal jurisdiction for enforcing the act with the CFPB. The FTC's summary of its own recent work on debt collection issues assists the CFPB in preparing the report to Congress.

The Commission vote approving the letter was 4-0.

The Federal Trade Commission works for consumers to prevent fraudulent, deceptive, and unfair business practices and to provide

information to help spot, stop, and avoid them. To file a complaint in English or Spanish, visit the FTC’s online [Complaint Assistant](#) or call 1-877-FTC-HELP (1-877-382-4357). The FTC enters complaints into Consumer Sentinel, a secure, online database available to more than 2,000 civil and criminal law enforcement agencies in the U.S. and abroad. The FTC’s website provides [free information on a variety of consumer topics](#). Like the FTC on [Facebook](#), follow us on [Twitter](#), and [subscribe to press releases](#) for the latest FTC news and resources.

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