

Banking and Finance Law Daily Wrap Up, ENFORCEMENT ACTIONS **—CFPB secures \$172.8 million judgment against debt-relief company** **Morgan Drexen, (Mar. 18, 2016)**

Banking and Finance Law Daily Wrap Up

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By [Thomas G. Wolfe, J.D.](#)

The Consumer Financial Protection Bureau has obtained a final judgment in federal district court against Morgan Drexen, Inc., in connection with the CFPB's claim that the debt-relief company deceived consumers and charged unlawful up-front fees. The [final judgment](#), recently entered by the U.S. District Court for the Central District of California, includes approximately \$132.8 million as restitution to affected consumers, a \$40 million civil penalty, and the incorporation of a permanent injunction imposed against the debt-relief company in June 2015.

This final judgment against Morgan Drexen follows an October 2015 stipulated final judgment—approved by the court—against the company's president and CEO, Walter Ledda. Not only was Ledda banned from providing debt-relief services, he also was required to personally pay restitution and a civil penalty. Moreover, the court issued an order holding certain attorneys and their law firms associated with Morgan Drexen in [contempt of court](#) at that time. The attorneys have appealed the court's contempt order.

Cordray's 'strong message'. In a March 18, 2016, [release](#), CFPB Director Richard Cordray commented, "The CFPB's victory sends a strong message that debt relief companies break the law when they defraud struggling consumers, and those actions have consequences for which we will hold them accountable. The court's orders against Morgan Drexen and Mr. Ledda ensure that they will never again violate the rights of consumers, and the significant penalties imposed reflect the severity of this illegal conduct."

Court's findings, conclusions. As part of its documentation for the March 16, 2016, final judgment against Morgan Drexen, the court also issued a "[Civil Minutes](#)" order granting the CFPB's motion to enter final judgment. Among other things, the court determined that Morgan Drexen violated the Telemarketing Sales Rule by charging unlawful up-front fees for debt-relief services and by misrepresenting those services. Similarly, the court determined that Morgan Drexen violated the Dodd-Frank Act by charging up-front fees, misrepresenting its services, and engaging in deceptive acts or practices.

Moreover, the court determined that, during the course of the CFPB's litigation against Morgan Drexen, the debt-relief company had falsified evidence and engaged in practices that "undermined the integrity of the judicial proceedings." Accordingly, the court asserted that Morgan Drexen's conduct, at a minimum, "was reckless" if not willful in this regard.

Assisting Morgan Drexen customers. Particularly since Morgan Drexen went out of business in June 2015 after filing for bankruptcy, the CFPB previously issued a document to assist the debt-relief company's customers. Among other things, the July 2015 document, titled "[Debt settlement company Morgan Drexen is no longer in business: What you should know](#)," guides customers regarding their rights, what options are available to them, and the steps to take for requesting a refund.

Companies: Morgan Drexen, Inc.

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