



Consumer Financial
Protection Bureau

DEC 7 2015

CFPB Takes Action Against Debt Collector for Pursuing Disputed and Unverified Cellphone Debts

EOS to Pay More than \$2.5 Million in Refunds and Penalties

WASHINGTON, D.C. – Today the Consumer Financial Protection Bureau (CFPB) filed a federal complaint against EOS CCA (EOS), a Massachusetts debt collection firm, for reporting and collecting on old cellphone debt that consumers disputed and EOS did not verify. The company also provided inaccurate information to credit reporting companies about the debt and failed to correct reported information that it had determined was inaccurate. The CFPB filed a proposed consent order that, if entered by the court, would require EOS to overhaul its debt collection practices, refund at least \$743,000 to consumers, and pay a \$1.85 million civil money penalty.

“After buying a portfolio of debt, EOS soon learned of several red flags that raised doubts about the debt’s validity. Even so, EOS still proceeded to collect certain disputed and unverified debts,” said CFPB Director Richard Cordray. “It is unacceptable that consumers were harmed by these practices and that the company supplied inaccurate information to the credit reporting companies, so today we are taking action to stop it.”

EOS is a debt collection company headquartered in Norwell, Mass. that also has a debt-purchasing arm. Like many other debt collectors, EOS collects delinquent or charged-off accounts that were purchased for a fraction of the value of the debt. Although EOS typically pays only pennies on the dollar for the debt, it may attempt to collect the full

amount claimed by the original lender. In 2012, EOS paid AT&T \$35.4 million for a portfolio of more than three million cellphone accounts with a total face value of \$2.3 billion. Many of these debts were old accounts that had been previously sent to multiple collection agencies.

The CFPB's investigation found that EOS learned of significant problems with the portfolio a few months after acquiring it. Among other things, the portfolio contained fraudulent, already paid, or already settled debts. Despite this, EOS continued to collect and report on the debts, including debts that consumers disputed, without verifying that those debts remained outstanding. In addition, EOS initially reported all the debts to the credit reporting companies as disputed even though it had no basis to believe that all the debts had in fact been disputed by consumers.

These practices violated the Fair Debt Collection Practices Act, the Fair Credit Reporting Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act. Specifically, the CFPB's investigation found that EOS:

- **Collected debts that it did not substantiate:** EOS learned in January 2013 that, contrary to the sales agreement with AT&T, the portfolio it purchased contained fraudulent debts, debts that consumers had paid or settled, and debts that were so old that they could no longer be legally collected. When consumers disputed the debts, EOS had difficulty getting AT&T to provide sufficient, and in some cases, any documentation to verify the debts. Notwithstanding those issues, EOS continued to report and collect on certain disputed debts that EOS did not verify.
- **Reported inaccurate dispute information to the credit reporting companies:** Shortly after it started collecting on the portfolio, EOS reported to the credit reporting companies that all three million of the debts were disputed by consumers, when EOS knew not all of the accounts had been disputed. EOS flip flopped on this twice, removing the dispute flags and then reinserting the dispute flags a month later.

These unlawful collection and reporting practices resulted in consumers paying debts they did not owe or had no obligation to pay. In the end, EOS collected about \$743,000 on more than 2,000 accounts that consumers disputed and that EOS did not verify.

Enforcement Action

Pursuant to the Dodd-Frank Act, the CFPB has the authority to take action against institutions or individuals engaging in unfair, deceptive, or abusive acts or practices or that otherwise violate federal consumer financial laws. Under the terms of the proposed consent order, EOS would be required to:

- **Refund at least \$743,000 to consumers:** EOS would be required to provide full refunds of payments made on debts that were disputed but that EOS did not verify.
- **Cease collecting and reporting on disputed AT&T debt:** If a consumer has disputed the debt and EOS is unable to substantiate it, EOS would be required to ask the credit reporting companies to remove any information about the debt from the consumer's file. It would also be barred from collecting on the debt or accepting payment for it.
- **Stop collecting unverified debts:** EOS would not be able collect unsubstantiated debt if it has reason to believe the portfolio contains inaccurate information. Under the order, for five years the company would be required to review original account-level documents verifying a debt before collecting on it when, for example, a consumer has disputed it, the seller didn't promise it was accurate or valid, or the debt was part of a portfolio EOS knew included unsupportable or inaccurate information.
- **Ensure accuracy when providing information to credit reporting companies:** EOS would only be permitted to report a debt with a credit reporting company if the debt is accurate.
- **Stop reselling debts:** EOS would be prohibited for five years from reselling the debts it buys to other debt collectors. This would protect consumers from the potential harm that results when debt collectors continue to sell and resell debts that may be inaccurate or lack the business records and information needed to collect them.
- **Pay civil money penalties:** EOS would be required to pay a penalty of \$1.85 million to the CFPB's Civil Penalty Fund.

The EOS complaint can be found

at:http://files.consumerfinance.gov/f/201512_cfpb_complaint-eos.pdf

The proposed EOS consent order can be found

at:http://files.consumerfinance.gov/f/201512_cfpb_proposed-consent-order-eos.pdf

The proposed consent order is not a finding or ruling that EOS has actually violated the law. The EOS consent order was filed in the U.S. District Court in Massachusetts. The order would have the force of law only if approved by the court.

###