

## [Banking and Finance Law Daily Wrap Up, TOP STORY—CFPB and New York AG seek to snuff out illegal debt collection scheme, \(Nov. 2, 2016\)](#)

Banking and Finance Law Daily Wrap Up

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By [Stephanie K. Mann, J.D.](#)

The Consumer Financial Protection Bureau and New York Attorney General have filed a lawsuit in a federal district court against the leaders of a "massive debt collection scheme" based out of Buffalo, N.Y. The lawsuit alleges that Douglas MacKinnon and Mark Gray operate a network of companies that harass, threaten, and deceive millions of consumers across the nation into paying inflated debts or amounts they may not owe. According to the bureau's press release, the CFPB is seeking to shut down the operation and to obtain compensation for victims and a civil penalty against the companies and partners.

"Our lawsuit asserts that millions of consumers were harassed, threatened, and deceived as part of a massive scheme to collect inflated debts," [said](#) CFPB Director Richard Cordray. "Today we are taking action against the ringleaders of this operation so they can no longer prey upon vulnerable consumers."

"Living with debt is difficult enough, without the added stress of being harassed and threatened by debt collectors," **AG Eric Schneiderman** [said](#). "These collection shops inflated debts, threatened victims, and deceived them out of millions. This suit sends the message that debt collectors that employ abusive tactics will be held accountable."

**Collections scheme.** The CFPB and the New York AG allege that Northern Resolution Group LLC, Enhanced Acquisitions LLC, and Delray Capital LLC are interrelated collection companies based in Buffalo, N.Y. Together, the companies have allegedly purchased millions of dollars' worth of consumer debt and collected some of those debts directly.

The [complaint](#) alleges that since at least 2009, the companies, operating under the supervision of MacKinnon and Gray, have served as the lynchpin of a massive collections scheme. The operation is said to have routinely inflated consumer debts and relied on illegal tactics to extract as much money as possible from consumers for debts. MacKinnon also allegedly set up a network of at least 60 additional "fly-by-night debt-collection firms" to collect on the large debt portfolios purchased by MacKinnon and Gray's companies.

**Complaint.** The CFPB alleges that the defendants violated the Fair Debt Collection Practices Act. The CFPB and the New York AG also allege that the defendants violated the Dodd-Frank Act, which prohibits unfair and deceptive acts or practices in the consumer financial marketplace. The complaint also alleges repeated fraudulent acts and deceptive acts or practices in violation of New York law, as well as violations of New York state debt-collection law.

Specifically, the regulators have alleged that MacKinnon, Gray, and their network of debt collection companies: inflated consumer debts and misrepresented amounts consumers owed; falsely threatened legal action; and impersonated law-enforcement officials, government agencies, and court officers. According to the complaint, MacKinnon and Gray have known about, directed, and encouraged these illegal collections practices and have profited significantly—amounting to tens of millions of dollars annually.

**Relief.** The bureau is seeking to stop the alleged unlawful practices of MacKinnon, Gray, and their companies, and requested that the court impose penalties on the company and its partners for their conduct and requires that compensation be paid to consumers who have been harmed.

Companies: Delray Capital LLC; Enhanced Acquisitions LLC; Northern Resolution Group LLC

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