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CITY SECURES \$2.3 MILLION IN FINES AND RESTITUTION FROM NEARLY TWO DOZEN DEBT COLLECTION AGENCIES FOR PREDATORY AND ILLEGAL ACTIVITY

Department of Consumer Affairs Secures More Than \$1 Million in Restitution for Nearly 4,800 New Yorkers

National Coalition Announces More Than 110 Actions to Combat Predatory Debt Collection Practices; 23 from NYC Department of Consumer Affairs

NEW YORK—Mayor Bill de Blasio and Department of Consumer Affairs Commissioner Julie Menin today announced that City investigations into debt collection agencies found nearly two dozen agencies were operating without a license or violating other consumer protection laws related to debt collection. In 2015, DCA entered into settlement agreements in all of the cases and secured more than \$1 million in consumer restitution for nearly 4,800 consumers, as well as \$1.3 million in fines. A court ruling also determined that DCA is authorized to regulate law firms that collect on debts in New York City.

“Many New Yorkers are already fighting an uphill battle to overcome the economic strains of income inequality, so it’s essential we do everything we can to keep hard-earned dollars with working families. And that’s exactly what the Department of Consumer Affairs has done,” said **Mayor Bill de Blasio**. “By going after debt collectors who are breaking the law, we put money back in the pockets of 4,800 New Yorkers and established oversight to prevent it from happening again.”

“Approximately one in three New Yorkers feel they have too much debt and our regulatory power over this industry allows us to ensure that debt collectors are not engaging in unscrupulous practices when they collect on debts from these New Yorkers,” said **DCA Commissioner Julie Menin**. “We’re proud to announce the settlements we’ve reached this year with the debt collection industry, which provide restitution to thousands of New Yorkers and ensure that the debt collection agencies correct their illegal practices.”

“Consumer debt is something most New Yorkers have faced at one time or another, and the tactics used by many of these debt collection agencies have no place in our City. They target our most vulnerable communities – our seniors, and those living paycheck to paycheck – and too often these consumers are bullied into unfair agreements with unlicensed collection agencies. I applaud the work of Commissioner Julie Menin and her team at the Department of Consumer Affairs, on the successful investigation into these illegal debt collection agencies and restitution they secured for thousands of victims,” stated **Council Member Rafael Espinal, Chair of the Committee on Consumer Affairs**.

DCA’s ongoing work has included investigations into 23 debt collection agencies located in 15 states that collected from New York City residents. The City found that eight of these agencies were collecting, or trying to collect, on alleged debts from New York City residents without a DCA license. Anyone seeking to collect debts from New York City consumers must be licensed by DCA, regardless of where the debt collection agency is located. DCA also found agencies not verifying consumers’ debt, suing consumers without verifying the

debts, sending consumers incomplete information about their debt, not keeping proper records of their communications with consumers, and/or illegally collecting on payday loans, among other violations.

Two of the most egregious offenders were National Credit Adjusters, LLC (NCA) and Midland Credit Management, Inc. DCA's settlement with NCA is the largest settlement case in its history, with more than 4,600 New Yorkers eligible for refunds. NCA was formerly licensed by DCA and collected on illegal payday loans. New York is one of 15 states that prohibit high-interest short-term loans, including payday loans, which typically come due on the borrower's next payday. Midland Credit Management, Inc. routinely sued New York City consumers in court, submitting "robosigned" affidavits based on incomplete and inaccurate information, and without properly establishing the validity of the underlying debts. The settlement agreement requires Midland to conduct an audit of the cases it filed against New York City consumers, revise their practices, refund any who were improperly sued, and pay DCA \$670,000 in fines and investigation costs.

Additionally, earlier this year, the Court of Appeals – New York State's highest court – ruled that DCA is allowed to regulate any law firm that collects debts in the same way as non-attorney debt collectors. The challenge to the law was brought by the law firm Eric M. Berman, P.C., based out of Delaware, which collected debts from New York City residents without a license from DCA, under the assumption that law firms do not need a license because they are regulated as attorneys by New York State. While the State regulates a law firm doing legal work in New York, local laws allow DCA to regulate anyone collecting debts from New York City residents, including attorneys.

DCA currently licenses 1,415 debt collection agencies from 47 states and multiple countries. For several years, complaints about abusive debt collection practices have been one of DCA's top two complaint categories. This year, to date, DCA has received 572 complaints about debt collectors, many about debts the consumer doesn't actually owe. DCA's recent report, [How Do New Yorkers Perceive Their Financial Security?](#), found that one in three New Yorkers reported having too much debt. Consumers can download DCA's [Debt Collection Guide](#), check if a debt collector is licensed, file a complaint, or find out about free financial counseling at nyc.gov/consumers or by calling 311.

The announcement is part of Operation Collection Protection, a national coalition led by the Federal Trade Commission (FTC) to combat predatory debt collection. Today the 75-plus member coalition, which includes the FTC, Consumer Financial Protection Bureau, Department of Justice, 48 state attorneys general and the District of Columbia, 17 state regulatory agencies, one Canadian provincial regulatory agency, and a number of local authorities, joined together to announce more than 110 actions related to illegal debt collection practices over the past year. DCA's work accounts for 23 of these actions, as the agency with the most debt collection actions.

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