



## CFPB Brings First Joint Enforcement Action with States Against Payday Loan Debt Relief Company

The Consumer Financial Protection Bureau, together with five states, has filed a federal [complaint](#) and submitted a [proposed stipulated final judgment and order](#) against a Florida company and its president for allegedly violating state and federal debt relief laws. Under the terms of the proposed final order, the defendants will pay \$100,000 in restitution for consumers who allegedly paid fees but did not receive any debt relief services, along with an additional \$5,000 civil penalty to the CFPB.

The civil suit, filed on December 14, 2012, in the United States District Court for the Southern District of Florida, is the first joint enforcement action brought by the CFPB and several states, which include Hawaii, New Mexico, North Carolina, North Dakota and Wisconsin. The action names defendants Payday Loan Debt Solution, Inc., and its president, Sanjeet Parvani, and alleges that they offered to negotiate reductions of consumers' payday loan balances.

The complaint alleges that the defendants collected \$87,243.96 in upfront fees for the provision of debt relief services before the services had been rendered – which advance fees are banned by amendments to the federal Telemarketing Sales Rule (TSR) that took effect on October 27, 2010 – and that the company failed to comply with licensing requirements and/or fee restrictions imposed by the various states. In addition, Hawaii imposes an outright ban on the operation of any for-profit debt settlement companies within the state.

If approved by the court, the proposed final order will require the defendants to post a \$100,000 restitution fund for reimbursements to consumers who enrolled and paid fees to the defendants after the TSR fee ban went into effect. The order also provides for a \$5,000 civil penalty to be paid by the defendants to the CFPB.

The order would ban the defendants from offering or providing debt relief services at all in Hawaii and North Carolina, and would prohibit them from charging upfront fees and otherwise failing to comply with applicable state law in the other states. The defendants must also comply with regular compliance monitoring and reporting requirements for a period of two years.

As with recent CFPB enforcement actions against several large banks relating to their credit card practices, the defendants apparently agreed to resolve the enforcement action before it was filed by the CFPB. The proposed stipulated final judgment and order was submitted to the court yesterday in an unopposed motion for approval.

For more information about the content of this alert, please contact [Michael Mallow](#), [Michael Thurman](#) or [Michael Jahnke](#).

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