

## CFPB Sanctions Law Firm and Debt Buyer For Failing to Review Account Documentation

June 30, 2016

On April 25, the Consumer Financial Protection Bureau (CFPB) entered an enforcement order against New Jersey law firm Pressler and Pressler and its debt-buyer client, New Century Financial Services, for pursuing hundreds of thousands of debt collection lawsuits without reviewing the underlying documentation supporting the existence of a debt. The law firm agreed to pay a \$1 million fine, the debt-buyer client agreed to pay a \$1.5 million fine, and both agreed to extensive recordkeeping and compliance measures going forward. These recordkeeping and compliance measures include an obligation to file account information in the court file of defaulted debtcollection cases before obtaining a final judgment, and to do no prejudgment discovery of a debtor's assets. The sanction stemmed from the manner in which the debt-buyer client communicated with its law firm. Rather than sending account files of the purchased debts, the client would electronically send spreadsheets showing debtor information and amounts of debts to the law firm. The law firm, which was staffed by over 300 employees, only 19 of which were attorneys, would then use proprietary software to turn the information in the spreadsheets into civil complaints. Neither the debt-buyer client, nor the non-legal staff, nor the attorneys signing the complaints, would review the original account-level documentation substantiating the debt. As a result of these practices, the CFPB found the law firm filed an untold number of lawsuits based on false or unreliable information. Using the law firm's own software, CFPB determined that the law firm lawyers typically spent less than a few minutes reviewing a complaint package and comparing it to the summary information on the spreadsheet before signing the complaint and filing it with the court. The lawyers did not review the account level documentation or determine if the information in the spreadsheet was correct or disputed before filing suit. Since most of the debtors defaulted, the information was not disputed, and the false information harmed consumers. Thus, the CFPB found that a law firm's reliance on only summary information provided by a client constituted an unfair or unconscionable means to collect debts.

## **Related Practices**

## **Consumer Finance**

©2024 Carlton Fields, P.A. Carlton Fields practices law in California through Carlton Fields, LLP. Carlton Fields publications should not be construed as legal advice on any specific facts or circumstances. The contents are intended for general information and educational purposes only, and should not be relied on as if it were advice about a particular fact situation. The distribution of this publication is not intended to create, and receipt of it does not constitute, an attorney-client relationship with Carlton Fields. This publication may not be quoted or referred to in any other publication or proceeding without the prior written consent of the firm, to be given or withheld at our discretion. To request reprint permission for any of our publications, please use our Contact Us form via the link below. The views set forth herein are the personal views of the author and do not necessarily reflect those of the firm. This site may contain hypertext links to information created and maintained by other entities. Carlton Fields does not control or guarantee the accuracy or completeness of this outside information, nor is the inclusion of a link to be intended as an endorsement of those outside sites.