

**UNITED STATES OF AMERICA  
CONSUMER FINANCIAL PROTECTION BUREAU**

ADMINISTRATIVE PROCEEDING

File No. 2023-CFPB-0004

In the Matter of:

**PHOENIX FINANCIAL  
SERVICES, LLC**

**CONSENT ORDER**

The Consumer Financial Protection Bureau (Bureau) has reviewed the debt collection and furnishing activities of Phoenix Financial Services, LLC (Respondent, as defined below) and has identified the following law violations: (1) Respondent failed to establish and implement reasonable written policies and procedures regarding the accuracy and integrity of information it furnished to Consumer Reporting Agencies (CRAs) and failed to consider and incorporate the guidelines of Appendix E of Regulation V in developing such written policies and procedures, in violation of §§ 1022.42(a) and (b) of Regulation V, 12 C.F.R. § 1022.42(a) and (b); (2) Respondent failed to conduct reasonable investigations of consumer disputes, in violation of §§ 623(a)(8)(E)(i) and 623(b)(1)(A) of the Fair

Credit Reporting Act (FCRA), 15 U.S.C. §§ 1681s-2(a)(8)(E)(i), (b)(1)(A), and §§ 1022.43(a) and (e)(1) of Regulation V, 12 C.F.R. §§ 1022.43(a), (e)(1); (3) Respondent failed to report the results of direct dispute investigations to consumers, in violation of § 623(a)(8)(E)(iii) of the FCRA, 15 U.S.C. § 1681s-2(a)(8)(E)(iii), and § 1022.43(e)(3) of Regulation V, 12 C.F.R. § 1022.43(e)(3); (4) Respondent engaged in debt collection activities, including sending consumers letters demanding payment of a debt, after receiving a written dispute within 30 days of the consumer's receipt of a debt validation notice, when it had not obtained verification of the debt, in violation of Section 809(b) of the Fair Debt Collection Practices Act (FDCPA), 15 U.S.C. § 1692g(b); (5) Respondent made false or misleading representations to consumers about the validity or accuracy of debts, in violation of §§ 807 and 807(10) of the FDCPA, 15 U.S.C. §§ 1692e and 1692e(10); and (6) Respondent, as a covered person engaging in violations of Federal consumer financial laws, violated § 1036(a)(1)(A) of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. § 5536(a)(1)(A). Under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order (Consent Order).

**I.**

**Jurisdiction**

1. The Bureau has jurisdiction over this matter under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565; § 814(b) of the FDCPA, 15 U.S.C. § 1692l(b)(6); and § 621 of the FCRA, 15 U.S.C. § 1681s(b)(1)(H).

**II.**

**Stipulation**

2. Respondent has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated June 7, 2023 (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the issuance of this Consent Order by the Bureau under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, without admitting or denying any of the findings of fact or conclusions of law, except that Respondent admits the facts necessary to establish the Bureau’s jurisdiction over Respondent and the subject matter of this action.

**III.**

**Definitions**

3. The following definitions apply to this Consent Order:

a. “Affected Consumers” means all consumers who paid any amounts to Respondent between January 1, 2017 and the Effective Date and who meet the criteria in either subpart (i) or subpart (ii) of this Paragraph:

i. The consumer submitted a written dispute to Respondent about the validity of the debt, or any portion thereof, within 30 days of the consumer’s receipt of a debt validation notice under Section 809(a) of the FDCPA, 15 U.S.C. § 1692g(b); Respondent continued to collect on the disputed account after receiving the written dispute by sending the consumer a Debt Collection Letter; Respondent sent a Debt Collection Letter to the consumer before obtaining verification of the debt or a copy of a judgment against the consumer and mailing such verification or judgment to the consumer; and the consumer paid the amount after Respondent sent the consumer a Debt Collection Letter but before Respondent obtained and mailed verification of the debt or a copy of a judgment against the consumer.

ii. The consumer submitted an oral dispute to Respondent about the validity or accuracy of the debt, or any portion thereof; Respondent continued to collect on the disputed account after receiving the oral dispute by sending the consumer a Debt Collection Letter;

Respondent sent a Debt Collection Letter to the consumer without having, at a minimum, obtained verification of the debt or a copy of a judgment against the consumer for the debt at the time it sent the letter; and the consumer paid the amount after Respondent sent the consumer a Debt Collection Letter, but before Respondent obtained verification of the debt or a copy of a judgment against the consumer.

- b. “Debt Collection Activities” means all activities related to efforts to collect a debt, either directly or indirectly.
- c. “Debt Collection Letter” means a written communication sent to a consumer that represents, expressly or by implication, that the consumer owes an unpaid balance in an amount indicated in the letter. Debt Collection Letter excludes timely debt validation notices sent pursuant to 15 U.S. Code § 1692g(a), letters from Respondent confirming receipt of payment (letter 1021) sent to consumers who affirmatively contacted Respondent to set up a payment after disputing a debt, and payment reminder letters (letter 910) sent in response to a consumer’s express authorization for payment.
- d. “Effective Date” means the date on which the Consent Order is entered on the administrative docket.

- e. “Enforcement Director” means the Assistant Director of the Office of Enforcement for the Consumer Financial Protection Bureau, or his or her delegate.
- f. “Officers” means Respondent’s LLC manager, managing member, or their equivalent; Chief Executive Officer or its equivalent; Chief Operations Officer or its equivalent; Chief Compliance Officer or its equivalent; Chief Financial Officer or its equivalent; and any other chief officer of the company.
- g. “Regional Director” means the Regional Director for the Midwest Region for the Office of Supervision for the Consumer Financial Protection Bureau, or his or her delegate.
- h. “Related Consumer Action” means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against Respondent based on substantially the same facts as described in Section IV of this Consent Order.
- i. “Respondent” means Phoenix Financial Services, LLC, and its successors and assigns.

## IV.

### **Bureau Findings and Conclusions**

The Bureau finds the following:

4. Respondent is an Indiana limited liability company with its principal place of business in Indianapolis, Indiana. Respondent collects debts, primarily past-due medical debts, and furnishes information about consumers to CRAs. Between January 2017 and December 2020, Respondent's clients placed approximately 54.4 million accounts with Respondent for collection.
5. Respondent furnishes consumer account information to CRAs. The consumer account information Respondent has collected and provided is used or expected to be used in connection with a decision regarding the offering or provision of a consumer financial product or service, and furnishing this information is a service offered or provided for use by consumers primarily for personal, family, or household purposes, or is delivered, offered, or provided in connection with a consumer financial product or service. This activity is a consumer financial product or service under the CFPA. 12 U.S.C. § 5481(5), (15)(A)(ix).
6. Respondent is a "covered person" under the CFPA because it engages in offering or providing a consumer financial product or service, 12 U.S.C. § 5481(5), (6), 15(A)(ix).

7. Respondent regularly furnishes information relating to consumers to CRAs for inclusion in consumer reports. Therefore, it is a “furnisher” under Regulation V. 12 C.F.R. § 1022.41(c).
8. Respondent is a “person” under the FCRA. 15 U.S.C. § 1681a(b).
9. Respondent is a “debt collector” under the FDCPA because it regularly collects or attempts to collect, directly or indirectly, debts owed or due or asserted to be owed to another or has used an instrumentality of interstate commerce or the mails in a business the principal purpose of which is collecting debts. 15 U.S.C. § 1692a(6).

**Findings and Conclusions as to Respondent’s Failure to Establish and Implement Reasonable Written Policies and Procedures Regarding Accuracy and Integrity of Furnished Information**

10. Since 2017, Respondent has furnished information about accounts to CRAs, including the nationwide CRAs Equifax, Experian, and TransUnion.
11. The FCRA provides that consumers can dispute information furnished to a CRA either by submitting a dispute to the CRA (indirect dispute) or directly to the furnisher (direct dispute).
12. Respondent receives indirect disputes from CRAs through the Online Solution for Complete and Accurate Reporting (E-OSCAR). E-OSCAR is a web-based system developed by the nationwide CRAs for processing indirect disputes.



13. When investigating disputes, Respondent typically does not have in its possession any documentation supporting the purported debt and has insufficient data for investigating certain types of disputes. This occurs because Respondent typically does not obtain additional information when a dispute is filed to supplement the limited information Respondent receives when clients send accounts to Respondent for collection.
14. At the time of account placement, Respondent receives only certain data points from its clients regarding medical debts. Respondent does not receive any images or documentation from its clients, such as documents the consumer may have submitted to a prior debt collector before the account was placed with Respondent, itemized bills from the medical facilities, insurance information, or prior dispute or complaint information.
15. Moreover, when investigating most disputes, Respondent relies on data points received from its clients at account placement that Respondent has not verified as accurate. At account placement, Respondent simply checks that the data points provided facially appear to be what they purport to be. For example, Respondent will check that the numbers in the Social Security number field look like a Social Security number or that the data in the name field looks like a name.

16. Respondent's written policies and procedures instructed employees to only perform a circular and cursory review of limited information already in its system to resolve a dispute. Regardless of the nature of the dispute, Respondent's indirect disputes procedures directed employees and contractors to compare only the consumer's name, Social Security number, and date of birth provided in the dispute to the data in Respondent's system of record.
17. Until approximately January 2021, Respondent's written direct disputes policy contained a similar instruction.
18. Simply matching the consumer's personally identifying information provided in the dispute against data already in Respondent's system of record is not sufficient to constitute a reasonable investigation of many types of disputes because it is a circular inquiry that assumes the accuracy of the information in Respondent's system of record, even if that information is itself inaccurate and led to Respondent's furnishing of inaccurate information in the first place.
19. For example, such a circular inquiry would likely be ineffective to investigate a dispute alleging that the debt did not belong to the consumer. If the consumer who submitted such dispute was mistaken for a different consumer with the same first and last name who, in fact, owed the alleged

debt, Respondent's system of record might contain the personally identifiable information of the consumer who submitted the dispute precisely because they were mistaken for the correct consumer.

20. As another example, if the consumer submitted a dispute alleging that the debt did not belong to them but rather, to the consumer's former spouse, Respondent's system of record would likely contain the personally identifiable information of the consumer who submitted the dispute precisely because the wrong consumer was identified for collection and furnishing.
21. In any of the above scenarios, the consumer's personally identifiable information would likely match the data in Respondent's system. But that data would itself be inaccurate because it would not identify the consumer who owed the alleged debt. As such, Phoenix's circular and cursory inquiry would not be responsive to the subject matter of such disputes and would result in Respondent merely verifying debts that were in fact inaccurate.
22. The instruction to check the consumer's personally identifiable information against data already in Respondent's system was also insufficient to investigate other types of disputes, such as those relating to account balances, past settlements, or bankruptcy. Because these types of disputes do not relate to whether Respondent or its client has identified the correct

consumer, simply verifying the consumer's personally identifiable information would not be responsive to such disputes.

23. Conducting an investigation that is responsive to the specific allegations in the dispute often requires the furnisher to at least review relevant information in its own possession about the debt such as, for example, prior communications with the consumer or information obtained in connection with a previous dispute on the account.
24. However, Respondent's written policies and procedures instructed employees to treat each dispute independently, even though it was aware of a pattern of receiving repeated disputes on accounts. A dispute-handling employee or contractor following this instruction would not review other information already in Respondent's system of record that might be relevant to a dispute.
25. To adequately address the consumer's allegations in many types of disputes, a furnisher would need to investigate further. For example, the furnisher could try to confirm in some reliable manner the information in its files with the client that provided the information; this could involve requests to examine documents and other information relevant to the allegations that are not in the furnisher's possession at the time of the dispute but to which the furnisher reasonably has access.

26. However, when Respondent received disputes with specific allegations for which the information in Respondent's files would not be sufficient to conduct a reasonable investigation, Respondent's written policies and procedures did not instruct its employees and contractors to make requests to the client or other third parties to confirm in some reliable manner that information or obtain additional information required to conduct a reasonable investigation of the dispute, such as account-level documentation. Nor did those written policies and procedures instruct employees and contractors on the circumstances in which to make such requests to clients, as needed, before attempting to resolve disputes.
27. Respondent also used an automated dispute-resolution program to handle certain indirect disputes without human involvement. Respondent routed approximately 30% of indirect disputes to this automated program. In investigating indirect disputes, the automated dispute-resolution program only considered limited information from Respondent's clients contained in its own account database, did not directly access any of its clients' files, and, beyond a small random selection of accounts that were routed to a manual work queue, did not refer disputes to either human reviewers or Respondents' clients for further investigation.

28. Like Respondent's instructions for conducting manual investigations, the automated process it used to resolve these indirect disputes was circular: the program merely compared information it had furnished to CRAs with consumer and account information already in its system of record. This circular inquiry was not sufficient to conduct a reasonable investigation of many types of disputes routed to its automated program, for the same reason it was not sufficient for many disputes handled by employees.
29. For example, Respondent's written policies and procedures specified that certain indirect disputes with E-OSCAR dispute code 010 should be routed to its automated dispute-resolution program. Dispute code 010 means "settlement or partial payment accepted." For these disputes, simply reviewing the account information that Respondent furnished in the first instance is not a reasonable investigation of the dispute because that information may be inaccurate.
30. A reasonable investigation of a "settlement or partial payment accepted" dispute would typically require Respondent to investigate further to determine whether the consumer had, in fact, made a settlement arrangement or partial payment with Respondent, a prior debt collector, or the medical provider. For example, Respondent could review its collection notes, and it could try to confirm in some reliable manner the information in its files with

the client that provided the information. Respondent could also try to reach out to the original creditor.

31. However, Respondent's automated dispute-resolution program did not review other potentially relevant information in Respondent's records, such as information Respondent received in connection with collection calls, other correspondence with the consumer or third parties, or prior disputes or complaints.
32. Respondent's written policies and procedures failed to require any of the disputes routed to its automated dispute-resolution program to be escalated to an employee for further investigation, even though many such disputes required a human investigation.
33. Since 2016, Respondent's written FCRA policies have stated that Respondent shall perform periodic reviews of a randomly selected sample of information provided to CRAs to ensure the company's adherence to FCRA policies and procedures. This requirement appeared in the section of the written policies titled, "Internal Controls Regarding Accuracy and Integrity of Furnished Information."
34. Until at least April 2020, Respondent failed to conduct any such "periodic reviews" of randomly selected samples of information provided to CRAs.

35. Until approximately April 2020, Respondent did not have any written policies and procedures requiring it to audit its indirect and direct dispute handling processes, such as by reviewing its records to identify dispute handling practices that could compromise the accuracy or integrity of information furnished to CRAs.
36. Even after Respondent created such written policies and procedures, its audits did not address the reasonableness of employees' dispute investigations, thereby making the audits insufficient for identifying practices or activities that could compromise the accuracy or integrity of furnished information.
37. Until at least April 2020, Respondent did not review historic dispute trends, which would have been critical to Respondent's ability to identify practices or activities that could compromise the accuracy or integrity of furnished information, such as by examining recurring disputes with the same root cause or clients with particularly high dispute rates.
38. Section 1022.42 of Regulation V, 12 C.F.R. § 1022.42, requires that a furnisher of consumer information to CRAs:
  - a. "must establish and implement reasonable written policies and procedures regarding the accuracy and integrity of the information relating to consumers that it furnishes to a consumer reporting agency,"



- which “must be appropriate to the nature, size, complexity, and scope of each furnisher’s activities”; and
- b. “must consider the guidelines in appendix E of [Regulation V] in developing its policies and procedures required by this section, and incorporate those guidelines that are appropriate.”
39. As described above, during the period from January 2017 through at least April 2020, Respondent failed to establish and implement reasonable written policies and procedures regarding the accuracy and integrity of the information it furnished to CRAs that were appropriate to the nature, size, complexity, and scope of its activities.
40. Appendix E of Regulation V, 12 C.F.R. Part 1022, provides, in part:
- a. “[A] furnisher’s policies and procedures should be reasonably designed to promote [the objective of] ... conduct[ing] reasonable investigations of consumer disputes and tak[ing] appropriate actions based on the outcome of such investigations.”
  - b. “In developing its policies and procedures, a furnisher should address ... Establishing and implementing appropriate internal controls regarding the accuracy and integrity of information about consumers furnished to consumer reporting agencies, such as by implementing standard

- procedures and verifying random samples of information provided to consumer reporting agencies.”
- c. “In establishing and implementing its policies and procedures, a furnisher should ... [i]dentify practices or activities of the furnisher that can compromise the accuracy or integrity of information furnished to consumer reporting agencies, such as by ... [r]eviewing its historical records relating to accuracy or integrity or to disputes.”
41. As described above, in developing its policies and procedures regarding the accuracy and integrity of the information it furnished to CRAs, Respondent failed to consider and incorporate, as appropriate, the guidelines set forth in Appendix E of Regulation V, including the guidelines listed in Paragraph 40.
42. Therefore, Respondent has violated Section 1022.42 of Regulation V, 12 C.F.R. § 1022.42.

**Findings and Conclusions as to Respondent’s Failure to Conduct Reasonable Investigations of Indirect Disputes**

43. Under Section 623(b)(1)(A) of the FRCA, 15 U.S.C. § 1681s-2(b)(1)(A), when a furnisher of information to a CRA receives from a CRA a notice of dispute regarding the completeness or accuracy of information provided to the CRA, the furnisher is required to conduct a reasonable investigation of the indirect dispute.

44. Respondent's employees and contractors used the policies and procedures, described above, to investigate credit furnishing disputes.
45. In addition, Respondent did not have a sufficient number of employees and contractors to effectively handle the volume of disputes received. As a result, its employees and contractors often handled hundreds of disputes per day, spending mere seconds on average to resolve each dispute. For example, on one day in 2018, one Respondent employee or contractor responded to 722 disputes, spending less than 30 seconds per dispute on average, and potentially as little as 10 seconds per dispute on average.
46. In numerous instances, Respondent did not conduct a reasonable investigation when it received a notice of a dispute from a CRA.
47. Therefore, Respondent has violated Section 623(b)(1)(A) of the FRCA, 15 U.S.C. § 1681s-2(b)(1)(A).

**Findings and Conclusions as to Respondent's Failure to Conduct Reasonable Investigations of Direct Disputes**

48. Section 623(a)(8)(E)(i) of the FCRA, 15 U.S.C. § 1681s-2(a)(8)(E)(i), and Sections 1022.43(a) and (e)(1) of Regulation V, 12 C.F.R. § 1022.43(a) & (e)(1), require furnishers, upon receipt of a direct dispute from a consumer, to conduct a reasonable investigation of the direct dispute.
49. Respondent's employees and contractors used the policies and procedures, described above, to investigate credit furnishing disputes.

50. In addition, as described above, because Respondent did not have a sufficient number of employees and contractors to effectively handle the volume of disputes received, its employees and contractors often handled hundreds of disputes per day, spending mere seconds on average to resolve each dispute.
51. In numerous instances, Respondent did not conduct a reasonable investigation of a direct dispute.
52. Therefore, Respondent has violated Section 623(a)(8)(E)(i) of the FCRA, 15 U.S.C. § 1681s-2(a)(8)(E)(i), and Sections 1022.43(a) and (e)(1) of Regulation V, 12 C.F.R. § 1022.43(a) & (e)(1).

**Findings and Conclusions as to Respondent's Failure to Report Results of Direct Dispute Investigations to Consumers**

53. Section 623(a)(8)(E)(iii) of the FCRA, 15 U.S.C. §1681s-2(a)(8)(E)(iii), and Section 1022.43(e)(3) of Regulation V, 12 C.F.R. § 1022.43(e)(3), require furnishers to complete their investigations of direct disputes and report the results of the investigation to the consumer generally within 30 days of receiving notice of the direct dispute.
54. For up to 83% of the direct disputes it received from January 2017 through March 2021, Respondent did not report the results of its dispute investigations to consumers.

55. Therefore, Respondent has violated Section 623(a)(8)(E)(iii) of the FCRA, 15 U.S.C. § 1681s-2(a)(8)(E)(iii), and Section 1022.43(e)(3) of Regulation V, 12 C.F.R. § 1022.43(e)(3).

**Findings and Conclusions as to Respondent's Engaging in Prohibited Collection Activity on Disputed Debts Before Obtaining Verification and Mailing it to the Consumer**

56. Section 809(b) of the FDCPA, 15 U.S.C. § 1692g(b), requires debt collectors to cease collection of debts in cases where a debt collector receives a written consumer dispute within 30 days of the consumer receiving a 15 U.S.C. § 1692g(a) debt validation notice, until the debt collector obtains verification of the debt or a copy of a judgment and mails it to the consumer.
57. In at least hundreds of instances, Respondent sent consumers a Debt Collection Letter after receiving a written dispute within 30 days of the consumer's receipt of a debt validation notice under 15 U.S.C. § 1692g(a) but before obtaining verification of the debt or a copy of a judgment and mailing a copy of such verification or judgment to the consumer.
58. Therefore, Respondent has violated Section 809(b) of the FDCPA, 15 U.S.C. § 1692g(b).

**Findings and Conclusions as to Respondent's Misrepresentations to Consumers About the Validity or Accuracy of Debts**

59. Section 807 of the FDCPA, 15 U.S.C. § 1692e, prohibits debt collectors from using false, deceptive, or misleading representations or means to collect debts. Section 807(10) of the FDCPA, 15 U.S.C. § 1692e(10), prohibits the use of any false representation or deceptive means to collect or attempt to collect any debt.
60. In Debt Collection Letters it sent to consumers, Respondent represented, directly or indirectly, expressly or by implication, that: (1) the consumer owed a debt to Respondent's client, with an unpaid balance in an amount indicated in the letter; and (2) Respondent had a reasonable basis for representing that the consumer owed the purported debt.
61. In at least thousands of instances, Respondent sent such a Debt Collection Letter to a consumer after receiving an oral dispute from the consumer about the validity or accuracy of the purported debt, but without having obtained substantiation for the debt after receiving the dispute sufficient to provide a reasonable basis for asserting that the consumer owed the purported debt at the time that Respondent sent the letter.
62. Respondent's written policy has been, unless the client does not allow it, to continue to engage in Debt Collection Activities where the consumer orally disputed the debt and orally requested verification of the debt, while

Respondent waits for documentation sufficient to substantiate the debt. But, in many instances, Respondent did not have any reasonable basis to assert the consumer owed the purported debt, whether based on obtaining documentation or some other method, because the consumer had disputed the debt and Respondent had not obtained information or documentation sufficient to substantiate it.

63. When Respondent received an oral dispute about the validity or accuracy of the purported debt, it knew or had reason to believe that the purported debt might be invalid or inaccurate.
64. The representation in these letters that the consumer owed a debt with an unpaid balance in the amount indicated was misleading because, having failed to obtain sufficient substantiation of the purported debt at the time it sent the letters and after receiving the dispute, Respondent did not have a reasonable basis for that representation. The implied representation in these letters that Respondent had a reasonable basis to assert that the consumer owed the purported debt was false because Respondent had no such reasonable basis.
65. These representations were likely to mislead the consumers who received them into believing that, at the time Respondent sent the letters, Respondent had already obtained information or documentation after receiving the

dispute sufficient to substantiate the purported debts and that the asserted balance due reflected an amount for which Respondent had sufficient substantiation, such that Respondent had a reasonable basis for asserting that the consumer owed the purported debts.

66. Therefore, Respondent has violated Sections 807 and 807(10) of the FDCPA, 15 U.S.C. §§ 1692e and 1692e(10).

**Findings and Conclusions as to Respondent’s Violations of the Consumer Financial Protection Act**

67. Under the CFPA, it is “unlawful for . . . any covered person or service provider . . . to offer or provide to a consumer any financial product or service not in conformity with Federal consumer financial law, or otherwise commit any act or omission in violation of a Federal consumer financial law.” 12 U.S.C. §§ 5536(a)(1)(A), 5481(14).
68. The CFPA defines “Federal consumer financial law” to include most provisions of the FCRA and its implementing regulation, Regulation V, including those cited above, and the FDCPA. 12 U.S.C. § 5481(12)(F) & (H), (14).
69. By violating the FCRA, Regulation V, and the FDCPA, as described above, Respondent committed acts or omissions in violation of Federal consumer financial laws. Accordingly, Respondent violated § 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(A).



## CONDUCT PROVISIONS

### V.

#### Prohibited Conduct

**IT IS ORDERED**, under §§ 1053 and 1055 of the CFPA, that:

70. Respondent and its Officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, may not violate Sections 1022.42(a) and (b), 1022.43(a), (e)(1), and (e)(3) of Regulation V, 12 C.F.R. §§ 1022.42(a) and (b), 1043.43(a), (e)(1), and (e)(3); Sections 623(a)(8)(E)(i), (iii), and (b)(1) of the FCRA, 15 U.S.C. §§ 1681s-2(a)(8)(E)(i), (iii), and (b)(1); and Sections 807, 807(10), and 809(b) of the FDCPA, 15 U.S.C. §§ 1692e, 1692e(10), 1692g(b).

#### **Prohibition Against Representing, Without Substantiation, that a Debt is Owed**

71. Respondent and its Officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, are permanently restrained and prohibited from making any representation, expressly or by implication, that a consumer owes a debt or as to the amount of a debt owed or allegedly owed, unless, at the time of making the representation, Respondent can substantiate the representation. This paragraph does not impose on Respondent any obligation to mail to the

consumer a copy of such substantiation beyond what is already required by existing law.

## VI.

### **Affirmative Requirements**

#### **Requirement to Establish and Implement Written Policies and Procedures to Ensure Reasonable Investigations of Furnishing Disputes**

72. Respondent must establish and implement written policies and procedures to ensure that it conducts reasonable investigations of disputes about information furnished to CRAs. Without limiting the foregoing, Respondent's written policies and procedures related to the handling of consumer disputes must, at a minimum:
- a. set forth detailed instructions for conducting investigations of each category of consumer disputes;
  - b. identify the specific circumstances in which Respondent must seek and review supporting documentation from clients or other third parties to verify disputed debts after receiving a dispute;
  - c. not permit investigations of disputes to be concluded solely based on checking that personally identifiable information provided in the dispute matches already-existing personally identifiable information in Respondent's system (such as name, Social Security number, and date of birth); and

- d. require a documented description of the steps taken to investigate each dispute.

**Requirement to Establish and Implement Written Policies and Procedures  
Setting Forth Internal Controls Regarding Accuracy and Integrity of  
Information Furnished to CRAs**

73. Respondent must establish and implement written policies and procedures setting forth a system of internal controls to identify practices or activities that could compromise the accuracy or integrity of the information Respondent furnishes to CRAs (Internal Controls). Without limiting the foregoing, the Internal Controls must, at a minimum, require that Respondent:
  - a. on at least a monthly basis, review random samples of information furnished to CRAs to assess the accuracy and integrity of the information, including by comparing the information provided to CRAs against documentation from Respondent's clients or the original creditors, that reliably, accurately, and completely supports that the consumer owes the alleged debt and the amount the consumer owes, where available;
  - b. on at least a monthly basis, review random samples of disputes about information furnished to CRAs to assess whether Respondent's

- investigation of and responses to disputes have complied with the FCRA, Regulation V, and Respondent's policies and procedures;
- c. on at least a semi-annual basis, conduct audits of Respondent's dispute handling policies and procedures to assess whether they ensure compliance with the FCRA and Regulation V; and
  - d. update Respondent's policies and procedures and implementation thereof as necessary to address any compliance failures or deficiencies identified through its accuracy and integrity reviews and audits.

### **Training Requirement**

- 74. Respondent must incorporate the requirements of this Consent Order into Respondent's training materials for employees or agents who have responsibilities related to the subject matter of the Consent Order.

## **VII.**

### **Compliance Plan**

**IT IS FURTHER ORDERED** that:

- 75. Within 45 days of the Effective Date, Respondent must create and implement a comprehensive compliance plan designed to ensure that Respondent's debt collection and furnishing activities comply with all applicable laws that the Bureau enforces, including Federal consumer

financial laws, and the terms of this Consent Order (Compliance Plan). The Compliance Plan must include, at a minimum:

- a. detailed steps for addressing each action required by this Consent Order;  
and
- b. specific timeframes and deadlines for implementation of the steps described above.

## **VIII.**

### **Role of the Officers**

**IT IS FURTHER ORDERED** that:

76. The Officers must review all submissions, reports, programs, policies, and procedures required by this Consent Order.
77. The Officers will have the ultimate responsibility for proper and sound management of Respondent and for ensuring that Respondent complies with the laws that the Bureau enforces, including Federal consumer financial laws and this Consent Order.
78. In each instance that this Consent Order requires the Officers to ensure adherence to, or perform certain obligations of Respondent, the Officers must:
  - a. Authorize whatever actions are necessary for Respondent to fully comply with the Consent Order;

- b. Require timely reporting by management to the Officers on the status of compliance obligations; and
- c. Require timely and appropriate corrective action to remedy any material non-compliance with directives of the Officers related to this Section.

## **MONETARY PROVISIONS**

### **IX.**

#### **Order to Pay Redress**

**IT IS FURTHER ORDERED** that:

- 79. Respondent shall provide redress to each Affected Consumer by refunding all amounts paid by the consumer that meet the criteria identified in either Paragraph 3(a)(i) or Paragraph 3(a)(ii).
- 80. Within 10 days of the Enforcement Director's determination of non-objection to the Redress Plan, Respondent must reserve or deposit into a segregated deposit account an amount sufficient to pay redress to all Affected Consumers as required by Paragraph 79.
- 81. Within 30 days of the Effective Date, Respondent must submit to the Enforcement Director for review and non-objection a comprehensive written plan for providing redress consistent with this Consent Order (Redress Plan). The Enforcement Director will have the discretion to make a determination of non-objection to the Redress Plan or direct Respondent to revise it. If the

Enforcement Director directs Respondent to revise the Redress Plan, Respondent must revise and resubmit the Redress Plan to the Enforcement Director within 15 days. After receiving notification that the Enforcement Director has made a determination of non-objection to the Redress Plan, Respondent must implement and adhere to the steps, recommendations, deadlines, and timeframes outlined in the Redress Plan.

82. The Redress Plan must:
- a. Describe Respondent's methodology used to identify all Affected Consumers and determine the amount of the refund that Respondent will provide to each Affected Consumer to comply with Paragraph 79;
  - b. Include a final list of all Affected Consumers and the amount of the refund that Respondent will provide to each Affected Consumer to comply with Paragraph 79;
  - c. Include the form of the letter (Redress Notice) and envelope to be sent notifying Affected Consumers who are entitled to redress of their right to redress; the Redress Notice must include a statement that the payment is made in accordance with the terms of this Consent Order; Respondent must not include in any envelope containing a Redress Notice any materials other than the approved Redress Notice and redress checks, unless Respondent has written confirmation from the Enforcement

Director that the Bureau does not object to the inclusion of such additional materials;

- d. Describe the process for providing redress to Affected Consumers, and must include the following requirements:
  - i. Respondent must send each Affected Consumer, or their authorized representative, a redress check (Redress Check) in the amount of the refund required by Paragraph 79. Respondent must send such checks by United States Postal Service first-class mail, address correction service requested, to the most recent address for the consumer;
  - ii. Prior to sending Redress Notices and Redress Checks, Respondent must make reasonable attempts to obtain a current address for each Affected Consumer by using, at a minimum, the National Change of Address System (NCAS), any databases maintained by Respondent's clients that are reasonably accessible by Respondent, and skip-tracing. If no updated address is obtained through such methods, Respondent may mail the Redress Notice and the Redress Check to the consumer's last known mailing address.
  - iii. If a Redress Check or Redress Notice is returned to Respondent as undeliverable, Respondent must make additional reasonable



attempts to contact the Affected Consumer and obtain a current address using a commercially available database other than the NCAS or by obtaining from the client or confirming with the client the Affected Consumer's last known email address or phone number and contacting the Affected Consumer at their last known email address or phone number. Respondent must promptly re-mail all returned Redress Checks and the Redress Notice to each Affected Consumer's current addresses, if any, obtained through such reasonable attempts;

- iv. If a Redress Check that Respondent has attempted to send to an Affected Consumer is returned to Respondent, Respondent must retain the redress amount of such Affected Consumer for a period of one hundred and eighty (180) days from the date the check was mailed or re-mailed, whichever is later, during which period such amount may be claimed by such Affected Consumer upon appropriate proof of identity; and
- v. Any redress amount remaining unclaimed after three hundred and sixty (360) days from the date the check was mailed or re-mailed, whichever is later, will be turned over to the Bureau as set forth in Paragraph 84;

- e. Set forth all procedures, deadlines, and timeframes for completing each step of the Redress Plan, consistent with the terms of this Consent Order;  
and
  - f. Identify Respondent's Officers, agents, servants, employees, and attorneys responsible for executing administration of the Redress Plan.
83. Respondent must mail all Redress Checks and Redress Notices within 30 days after the Enforcement Director has made a determination of non-objection to the Redress Plan.
84. After completing the Redress Plan, if the amount of redress provided to Affected Consumers is less than the amount reserved or deposited by Respondent into a segregated deposit account as required by Paragraph 80, within 30 days of the completion of the Redress Plan, Respondent must pay to the Bureau, by wire transfer to the Bureau or to the Bureau's agent, and according to the Bureau's wiring instructions, the difference between the amount of redress provided to Affected Consumers and the amount reserved or deposited by Respondent into a segregated deposit account as required by Paragraph 80.
85. The Bureau may use these remaining funds to pay additional redress to Affected Consumers. If the Bureau determines, in its sole discretion, that additional redress is wholly or partially impracticable or otherwise

inappropriate, or if funds remain after the additional redress is completed, the Bureau will deposit any remaining funds in the U.S. Treasury as disgorgement. Respondent will have no right to challenge any actions that the Bureau or its representatives may take under this Section.

86. Respondent may not condition the payment of any redress to any Affected Consumer under this Consent Order on that Affected Consumer waiving any right.

## **X.**

### **Order to Pay Civil Money Penalty**

**IT IS FURTHER ORDERED** that:

87. Under § 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law described in Section IV of this Consent Order, Respondent must pay a civil money penalty of \$1,675,000 to the Bureau.
88. Within 10 days of the Effective Date, Respondent must pay the civil money penalty by wire transfer to the Bureau or to the Bureau's agent in compliance with the Bureau's wiring instructions.
89. The civil money penalty paid under this Consent Order will be deposited in the Civil Penalty Fund of the Bureau as required by § 1017(d) of the CFPA, 12 U.S.C. § 5497(d).

90. Respondent, for all purposes, must treat the civil money penalty paid under this Consent Order as a penalty paid to the government. Regardless of how the Bureau ultimately uses those funds, Respondent may not:
- a. Claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any civil money penalty paid under this Consent Order; or
  - b. Seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made under any insurance policy, with regard to any civil money penalty paid under this Consent Order.
91. To preserve the deterrent effect of the civil money penalty in any Related Consumer Action, Respondent may not argue that Respondent is entitled to, nor may Respondent benefit by, any offset or reduction of any compensatory monetary remedies imposed in the Related Consumer Action because of the civil money penalty paid in this action or because of any payment that the Bureau makes from the Civil Penalty Fund. If the court in any Related Consumer Action offsets or otherwise reduces the amount of compensatory monetary remedies imposed against Respondent based on the civil money penalty paid in this action or based on any payment that the Bureau makes from the Civil Penalty Fund, Respondent must, within 30 days after entry of a final order granting such offset or reduction, notify the Bureau, and pay the

amount of the offset or reduction to the U.S. Treasury. Such a payment will not be considered an additional civil money penalty and will not change the amount of the civil money penalty imposed in this action.

## **XI.**

### **Additional Monetary Provisions**

**IT IS FURTHER ORDERED** that:

92. In the event of any default on Respondent's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.
93. Respondent must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Respondent.
94. Under 31 U.S.C. § 7701, Respondent, unless it already has done so, must furnish to the Bureau its taxpayer-identification numbers, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.
95. Within 30 days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Respondent must notify the Regional

Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Respondent paid or is required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

## **COMPLIANCE PROVISIONS**

### **XII.**

#### **Reporting Requirements**

**IT IS FURTHER ORDERED** that:

96. Respondent must notify the Bureau of any development that may affect compliance obligations arising under this Consent Order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against Respondent; or a change in Respondent's name or address. Respondent must provide this notice, if practicable, at least 30 days before the development, but in any case no later than 14 days after the development.
97. Within 7 days of the Effective Date, Respondent must:

- a. designate at least one telephone number and email, physical, and postal addresses as points of contact that the Bureau may use to communicate with Respondent;
  - b. identify all businesses for which Respondent is the majority owner, or that Respondent directly or indirectly controls, by all of their names, telephone numbers, and physical, postal, email, and Internet addresses; and
  - c. describe the activities of each such business, including the products and services offered, and the means of advertising, marketing, and sales.
98. Respondent must report any change in the information required to be submitted under Paragraph 97 at least 30 days before the change or as soon as practicable after the learning about the change, whichever is sooner.
99. One year after the Effective Date, Respondent must submit to the Regional Director an accurate written compliance progress report (Compliance Report) that has been approved by the Officers, sworn to under penalty of perjury, which, at a minimum:
- a. lists each applicable paragraph and subparagraph of the Order and describes in detail the manner and form in which Respondent has complied with each such paragraph and subparagraph of the Consent Order;

- b. describes in detail the manner and form in which Respondent has complied with the Redress Plan and Compliance Plan; and
- c. attaches a copy of each Order Acknowledgment obtained under Section XIII, unless previously submitted to the Bureau.

### **XIII.**

#### **Order Distribution and Acknowledgment**

**IT IS FURTHER ORDERED** that:

- 100. Within 7 days of the Effective Date, Respondent must submit to the Regional Director an acknowledgment of receipt of this Consent Order, sworn under penalty of perjury.
- 101. Within 30 days of the Effective Date, Respondent must deliver a copy of this Consent Order to each of its Officers, as well as to any managers, employees, service providers, or other agents and representatives who have responsibilities related to the subject matter of the Consent Order.
- 102. For 5 years from the Effective Date, Respondent must deliver a copy of this Consent Order to any business entity resulting from any change in structure referred to in Section XII, any future Officers, as well as to any managers, employees, service providers, or other agents and representatives who will have responsibilities related to the subject matter of the Consent Order before they assume their responsibilities.



103. Respondent must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 *et seq.*, within 30 days of delivery, from all persons receiving a copy of this Consent Order under this Section.
104. Within 90 days of the Effective Date, Respondent must provide the Bureau with a list of all persons and their titles to whom this Consent Order was delivered through that date under Paragraphs 101-102 and a copy of all signed and dated statements acknowledging receipt of this Consent Order under Paragraph 103.

#### **XIV.**

#### **Recordkeeping**

**IT IS FURTHER ORDERED** that:

105. Respondent must create and retain the following business records:
  - a. all documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the Bureau.
  - b. all documents and records pertaining to the Redress Plan and Compliance Plan, described in Sections IX and VII above.
  - c. all consumer complaints and disputes (whether received directly or

- indirectly, such as through a third party), any responses to those complaints or disputes, and any documents relating to Respondent's investigation of those complaints or disputes, including any documents obtained by Respondent to substantiate a disputed debt.
106. Respondent must make the documents identified in Paragraph 105 available to the Bureau upon the Bureau's request.

**XV.**

**Notices**

**IT IS FURTHER ORDERED** that:

107. Unless otherwise directed in writing by the Bureau, Respondent must provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, "*In re* Phoenix Financial Services, LLC, File No. 2023-CFPB-0004," and send them by overnight courier or first-class mail to the below address and contemporaneously by email to Enforcement\_Compliance@cfpb.gov:

Regional Director, Bureau Midwest Region  
Supervision, Enforcement and Fair Lending  
Consumer Financial Protection Bureau  
230 S Dearborn St. Suite 1590  
Chicago, IL 60604

## XVI.

### Compliance Monitoring

**IT IS FURTHER ORDERED** that:

108. Within 14 days of receipt of a written request from the Bureau, Respondent must submit additional Compliance Reports or other requested information, which must be made under penalty of perjury; provide sworn testimony; or produce documents.
109. Respondent must permit Bureau representatives to interview any employee or other person affiliated with Respondent who has agreed to such an interview regarding: (a) this matter; (b) anything related to or associated with the conduct described in Section IV; or (c) compliance with the Consent Order. The person interviewed may have counsel present.
110. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 C.F.R. § 1080.6 or other compulsory process.
111. For the duration of the Consent Order in whole or in part, Respondent agrees to be subject to the Bureau's supervisory authority under 12 U.S.C. § 5514. Consistent with 12 C.F.R. § 1091.111, Respondent may not petition for termination of supervision under 12 C.F.R. § 1091.113.

**XVII.**

**Modifications to Non-Material Requirements**

**IT IS FURTHER ORDERED** that:

112. Respondent may seek a modification to non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Regional Director.
113. The Regional Director may, in his or her discretion, modify any non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) if he or she determines good cause justifies the modification. Any such modification by the Regional Director must be in writing.

**ADMINISTRATIVE PROVISIONS**

**XVIII.**

**IT IS FURTHER ORDERED** that:

114. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau from taking any other action against Respondent, except as described in Paragraph 115. Further, for the avoidance of doubt, the provisions of this Consent Order do not bar, estop, or otherwise prevent any other person or governmental agency from taking any action against Respondent.

115. The Bureau releases and discharges Respondent from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in Section IV of this Consent Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. The Bureau may use the practices described in this Consent Order in future enforcement actions against Respondent and its affiliates, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the Bureau to determine and ensure compliance with the Consent Order, or to seek penalties for any violations of the Consent Order.
116. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under § 1053 of the CFPA, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.
117. This Consent Order will terminate on the later of 5 years from the Effective Date or 5 years from the most recent date that the Bureau initiates an action alleging any violation of the Consent Order by Respondent, if such action is initiated within 5 years of the Effective Date. If such action is dismissed or the relevant adjudicative body rules that Respondent did not violate any

provision of the Consent Order, and the dismissal or ruling is either not appealed or upheld on appeal, then the Consent Order will terminate as though the action had never been filed. The Consent Order will remain effective and enforceable until such time, except to the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.

118. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.
119. Should Respondent seek to transfer or assign all or part of its operations that are subject to this Consent Order, Respondent must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.
120. The provisions of this Consent Order will be enforceable by the Bureau. For any violation of this Consent Order, the Bureau may impose the maximum amount of civil money penalties allowed under §1055(c) of the CFPA, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this Consent Order in federal district court, the Bureau may serve Respondent wherever Respondent may be found and Respondent may not contest that court's personal jurisdiction over Respondent.

121. This Consent Order and the accompanying Stipulation contain the complete agreement between the parties. The parties have made no promises, representations, or warranties other than what is contained in this Consent Order and the accompanying Stipulation. This Consent Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.
122. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing Respondent, its Officers, or employees to violate any law, rule, or regulation.

**IT IS SO ORDERED**, this 8th day of June, 2023.

*Rohit Chopra*

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Rohit Chopra  
Director  
Consumer Financial Protection Bureau