

FILED
U.S. DISTRICT COURT
EASTERN DISTRICT ARKANSAS

MAY 01 2023

TAMMY H. DOWNS, CLERK

By:  DEP CLERK

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF ARKANSAS

LAURA LYNN HAMMETT, an)
individual,)
)
Plaintiff,)
)
vs.)
)
PORTFOLIO RECOVERY)
ASSOCIATES, LLC, a Limited)
Liability Company; DOES 1-99)
)
Defendants)
)
)
)

Case No.: 4:21-CV-00189-LPR

NOTICE OF SUPPLEMENTAL AUTHORITIES IN SUPPORT OF MOTION

FOR RECONSIDERATION OF CONSOLIDATED ORDER [173]

AND AGAINST THE DEFENDANT’S SUPPLEMENTAL MOTION FOR

SUMMARY JUDGMENT

Notice of Supplemental Authorities in Support of Motion for Reconsideration of Consolidated Order [173] and Against the Defendant’s Supplemental Motion for Summary Judgment

Laura Lynn Hammett, (hereinafter, “Hammett”), in pro se, hereby provides notice of the attached supplemental authorities supporting her motion for reconsideration of the consolidated order (“Reconsideration”) and her opposition to the defendant’s supplemental motion for summary judgment (“Opposition”).

Since Hammett filed her Reconsideration and Opposition, the CFPB filed a Complaint against Portfolio Recovery Associates, LLC (“PRA”), attached hereto as Exhibit 1, and a Stipulated Final Judgment and Order (“Order”) on March 23, 2023. The Court presiding over the CFPB case signed the Order on April 13, 2023, attached hereto as Exhibit 2.

The Complaint alleges that PRA violated the 2015 Consent Agreement, one of Hammett’s contentions.

The Bureau is an independent agency of the United States charged with regulating the offering and provision of consumer-financial products and services under “Federal consumer financial law.” 12 U.S.C. §§ 5491(a), 5563, 5564.

The CFPB has had minimal communication with Hammett. Hammett has not filed a complaint with the CFPB in regard to PRA yet, as the agency’s website says a person can file only one complaint and Hammett is waiting to include all misconduct by PRA throughout the litigation. Therefore, the CFPB is neutral and its complaint can be taken in the same light as an amicus brief.

PRA did not admit to the alleged misconduct by agreement with the Order, but considering PRA agreed to an out of court settlement for \$24,000,000 but kept the Hammett matter in court, knowing it could settle for far less, there is a reasonable inference that PRA knows it can prevail against a self-represented litigant by burying her in paper and intimidating her with threats of shifting defense attorney fees and violating confidentiality of plaintiff's private information and creating false derogatory information about the plaintiff. (PRA did this same thing to a woman who had no social security card, and after the woman found representation, she was awarded \$82,000,000 punitive damages by a jury, which was settled after appellate briefs filed. *Portfolio Recovery Associates, LLC v. Guadalupe Mejia*, 2016 WL 4771200 (Mo.App. W.D.), No. WD79175.)

Amongst the allegations in the Complaint:

“PRA collected millions of dollars using illegal debt-collection practices and engaged in unlawful credit-reporting practices that have impacted at least hundreds of thousands of consumers.” ¶ 2.

“This is the second enforcement action that the Bureau has brought against PRA. In the first, the Bureau found that PRA violated multiple provisions of ‘Federal consumer financial law,’ including the Consumer Financial Protection Act of 2010 (CFPA) and the Fair Debt Collection Practices Act (FDCPA), through its debt-purchase and collection practices. The Bureau resolved those findings through

an order, to which PRA consented, issued on September 9, 2015 in In re Portfolio Recovery Associates, LLC (Administrative Proceeding File No. 2015-CFPB-0023) (the Order). The Order required PRA to abide by certain conduct provisions.” ¶ 3. PRA redacted any citation to a particular portfolio from which Hammett’s account was allegedly purchased, but a reasonable inference is that it was from a portfolio that was subject of the Consent Order.

“Since the Order went into effect, PRA’s debt-collection practices have violated numerous Order provisions, along with the CFPB and the FDCPA. PRA collected on at least tens of thousands of debts that consumers disputed even though PRA did not take the required steps to substantiate the accuracy and validity of those debts.” ¶ 4. Hammett disputed the \$2,297.63 PRA attempted to collect from her and PRA failed to take the required steps to substantiate the accuracy and validity of that debt. PRA claims it did not find even the one statement that did not show any particulars of a purchase, such as location or merchant until eight months into litigation.

“When notifying consumers that they could be sued, PRA failed to offer to provide consumers with certain required documents. On hundreds of occasions, PRA failed to timely provide the documents it did offer. PRA’s failure to offer and timely supply the requisite documents likely affected consumers’ decision-making about whether to pay allegedly outstanding debts. And PRA sued thousands of

consumers when it lacked proper documentation about the debt []." ¶ 4. A reasonable juror might infer that, despite any policy PRA documentation presents to the contrary, that PRA had a policy to treat consumers the way Hammett alleges that PRA treated her.

The Bureau brought its action under 15 U.S.C. 1692(a) and (e)(2), along with a list of other statutes. ¶ 5. So did Hammett.

"The [2015] Order resolved claims that PRA was making false or unsubstantiated representations to consumers about owing debts; misrepresenting that PRA intended to prove debts if consumers contested them; filing misleading affidavits in debt-collection actions; [] The Bureau found that PRA's practices violated [] the FDCPA." ¶ 17. A reasonable juror might infer that the Hammett alleged debt was one of the false and unsubstantiated representations of a debt, that PRA intended to not prove the debt if Hammett contested PRA in court, especially since PRA said it set the balance to zero 'in light of the litigation', and that PRA also filed misleading affidavits in this litigation.

"The Order also prohibited PRA from (1) representing the amount or validity of a debt unless PRA could substantiate the representation; (2) selling debt; (3) threatening or filing collection lawsuits without an intent to prove the debt; (4) filing false or misleading affidavits in debt-collection actions; (5) making false or misleading representations; and (6) suing on Time-Barred Debt (as defined

in the Order) or otherwise collecting Time-Barred Debt unless PRA complied with specified disclosure requirements.” ¶ 19. PRA represented the amount or validity of the alleged Hammett debt without adequate documentation to substantiate the representation; filed false or misleading affidavits in this action; made false or misleading representations in this action, including not only the amount of the debt, but a litany of other lies: Stringing together two separate phrases written by Hammett to create a false impression; making false, derogatory statements about Hammett’s impressive skill and bankroll management in poker; inventing false statements of fact for its “expert” psychiatric exam; and misrepresenting its policy for handling waived debt in a way that admits to violation of the tax code. When PRA has an identified event, including when it determines debt is uncollectable, it is required to file a 1099-C cancellation of debt, unless the debt is determined to be a result of identity theft or fraud. (26 CFR Section 1.6050P) It did not file a 1099-C for the Hammett debt, therefore it determined the debt was a result of identity theft or fraud, but it still claims to the Court that the debt was collectible.

“Paragraph 116 of the [2015] Order further provided that, whenever a consumer disputed the accuracy or validity of a debt, PRA could not make any further representations about the debt’s validity or amount until it had reviewed [] or (b) if the claimed amount was ‘higher than the charge-off balance or judgment balance,’ OALD ‘reflecting the Charge-off Balance or judgment balance and . . .

an explanation of how the claimed amount was calculated and why such an increase [was] authorized by the agreement creating the Debt or permitted by law.’

¶ 22. As reflected in the “Load Data” created by PRA (based upon its format being identical to the format of load data reports of debt by different original creditors than Capital One), the charge off balance claimed is different than the balance shown on the letters sent to Hammett by PRA. (Ex. C (Load Data Sheet) to Ex. 1 to Def.’s Statement of Facts (Doc. 78-6) (Under Seal at Doc. 121)) But PRA has no OALD, PRA has no copy of a contract entered into between Capital One and Hammett, and PRA gave no other explanation of how the amount was calculated and why the increase.

In order to initiate litigation from 2015 to 2020, during the time PRA was contacting Hammett in connection with the collection of a debt, PRA was required to have either a signed document evidencing the opening of the account or OALD “reflecting a purchase, payment, or other actual use.” ¶ 29. A reasonable juror may infer that the lack of this documentation on the Hammett account is credible evidence that PRA had no legitimate basis for calling Hammett repeatedly.

The Complaint taken as a whole is credible evidence that punitive damages on this case are warranted to punish and deter PRA from committing the same conduct it committed against Hammett against other victims.

The 2023 Order is important to Hammett's case for the same reasons as the Complaint, and these additional uses:

PRA agreed to definitions that were the same as Hammett's plain language usage of the words, but different than the Court's interpretation or otherwise valuable to Hammett's case. Specifically:

"'Collection' or 'Collecting' or 'Collect' means making a representation, expressly or by implication, that a Consumer owes a Debt or about the amount of the Debt or otherwise taking any action with a Consumer in furtherance of obtaining payment for a Debt, excluding Collection activity authorized by Title 11 of the United States Code." The entire line of reasoning by PRA and the Court that communications after February 18, 2021 were not in connection with the collection of a debt because the "animating purpose" was not to collect a debt contradicts the plain text of the statute. Representing the amount of the debt as \$2,297.63 within letters sent to Hammett, documents and arguments in these proceedings is one form of "collection".

"'Debt' means any obligation *or alleged obligation* of a Consumer to pay money arising out of a transaction in which the money, property, insurance or services that are the subject of the transaction are primarily for personal, family, or household purposes, whether or not such obligation has been reduced to judgment. 15 U.S.C. § 1692a(5)." Italics added. This is a definition directly from the statute.

The Court misinterpreted Hammett as admitting to having a debt where Hammett defined herself as a consumer by saying “I am a consumer in respect to any debt incurred by me on a credit card issued by Capital One Bank (USA) in or about 2001.”). Consolidated Order at f.n.463, pg 71. First, that is a misquote. There was text truncated after “2001” and before the quoted period. That text explained that any debt Hammett incurred was for consumer goods. Hammett did not borrow on a credit card for business ever and did not borrow for business until 2017. It might have been more clear that Hammett was not admitting to the debt if she wrote “I am a consumer in respect to any alleged debt incurred by me on a credit card issued by Capital One Bank (USA) in or about 2001[.]” But by definition, Hammett was discussing alleged debt.

”Documents for Collecting’ means *all three* of the following:” Italics added. Including “[T]he Lower OALD Amount or the amount of the Debt at the time (A) the Creditor Charged-off the Debt”. PRA claims it did not have the documentation showing the Lower OALD until eight months after it completed its investigation, as stated in the closing letters.

”Lower OALD Amount’ means an amount that (a) is reflected as owed on the Debt in OALD the Seller created within 60 days of Charge-off, and (b) is less

than the amount that the Seller represents is owed on the Debt at the time of purchase by Defendant[.]”¹

“‘Board’ means the duly-elected and acting Board of Directors of Defendant's parent company, PRA Group, Inc.”

PRA agreed that “[t]he Board must review all submissions (including plans, reports, programs, policies, and procedures) required by this Order prior to submission to the Bureau.” ¶ 18.

“Although this Order requires Defendant to submit certain documents for review or non-objection by the Bureau, the Board will have the ultimate responsibility for proper and sound management of Defendant and for ensuring that Defendant complies with the laws that the Bureau enforces, including Federal consumer financial laws and this Order.” ¶ 19. This mandate was included in the 2015 Order that PRA violated in its handling of Hammett’s debt (meaning alleged debt).

Though the Court did not find this to mean PRA Group, Inc. was potentially liable as a Doe Defendant, Plaintiff reasserts the relevance to preserve her rights on appeal.

¹ Shown here is the correct way to indicate that one punctuation mark, a semi-colon, was changed to a period. It does not indicate that a clause after a comma was removed. PRA misrepresented how it altered Hammett’s sentence by using “[.]” improperly.

Respectfully submitted,

May 1, 2023



Laura Lynn Hammett
16 Gold Lake Club Road
Conway, Arkansas 72032
760-966-6000
thenext55years@gmail.com
Plaintiff Pro Se

CERTIFICATE OF SERVICE

I hereby certify that on May 1, 2023, a true and exact copy of the foregoing was filed with the Clerk of the Court for entry on the electronic filing system which will cause service upon all counsel of record via email.



Laura Lynn Hammett
16 Gold Lake Club Road
Conway, Arkansas 72032
760-966-6000
thenext55years@gmail.com
Plaintiff Pro Se

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
NORFOLK DIVISION**

Consumer Financial Protection Bureau,

Plaintiff,

v.

Portfolio Recovery Associates, LLC,

Defendant.

Case No.: 2:23-cv-110

**COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER
RELIEF**

The Consumer Financial Protection Bureau (Bureau) brings this action against Portfolio Recovery Associates, LLC (PRA) and alleges the following:

INTRODUCTION

1. PRA is a debt collector whose principal purpose is the collection of debts. PRA also furnishes consumer information to consumer-reporting agencies (CRAs).
2. PRA collected millions of dollars using illegal debt-collection practices and engaged in unlawful credit-reporting practices that have impacted at least hundreds of thousands of consumers.
3. This is the second enforcement action that the Bureau has brought against PRA. In the first, the Bureau found that PRA violated multiple provisions of “Federal consumer financial law,” including the Consumer Financial Protection Act of 2010 (CFPA) and the Fair Debt Collection Practices Act (FDCPA), through its debt-purchase and collection practices. The Bureau resolved those findings through an order, to which PRA consented, issued on September 9, 2015 in *In re Portfolio Recovery Associates*,

EXHIBIT 1

LLC (Administrative Proceeding File No. 2015-CFPB-0023) (the Order). The Order required PRA to abide by certain conduct provisions.

4. Since the Order went into effect, PRA's debt-collection practices have violated numerous Order provisions, along with the CFPA and the FDCPA. PRA collected on at least tens of thousands of debts that consumers disputed even though PRA did not take the required steps to substantiate the accuracy and validity of those debts. PRA collected on numerous debts without informing consumers the debts were too old to legally enforce or report to a CRA. When notifying consumers that they could be sued, PRA failed to offer to provide consumers with certain required documents. On hundreds of occasions, PRA failed to timely provide the documents it did offer. PRA's failure to offer and timely supply the requisite documents likely affected consumers' decision-making about whether to pay allegedly outstanding debts. And PRA sued thousands of consumers when it lacked proper documentation about the debt, and at times sued on debts that were too old.

5. Through these illegal practices, PRA collected millions of dollars from consumers.

6. Because inaccurate reporting can negatively affect a consumer's financial opportunities, the Fair Credit Reporting Act (FCRA) and its implementing Regulation V require furnishers like PRA to promptly and adequately respond when a consumer disputes the accuracy of a debt. In violation of these requirements, PRA failed on numerous occasions to timely respond or reasonably investigate when consumers disputed debts. For a period, PRA's operations for processing and recording Direct Disputes were insufficient, resulting in thousands of disputes being ignored for months. On at least tens of thousands of additional occasions, PRA did not timely investigate and

resolve Direct Disputes or timely notify consumers when it would not investigate because it believed the disputes were frivolous. And on numerous occasions, PRA conducted inadequate investigations of fraud and identity theft disputes. Consumers who were unable to correct errors on their reports may have paid more for credit or been denied credit, employment or housing.

7. The Bureau brings this action under the CFPA, 12 U.S.C. §§ 5531, 5536(a), 5564, 5565; the FDCPA, 15 U.S.C. §§ 1692a, 1692e, 1692l; FCRA, 15 U.S.C. § 1681s-2; and Regulation V, 12 C.F.R. §§ 1022.42-1022.43, to stop PRA's unlawful conduct, to obtain redress for harmed consumers and an appropriate penalty, and to obtain all other appropriate relief.

JURISDICTION AND VENUE

8. This Court has subject-matter jurisdiction over this action because it is brought under "Federal consumer financial law," 12 U.S.C. § 5565(a)(1), presents a federal question, 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C. § 1345.

9. Venue is proper because PRA is located, resides, or does business in this district. 12 U.S.C. § 5564(f).

PARTIES

10. The Bureau is an independent agency of the United States charged with regulating the offering and provision of consumer-financial products and services under "Federal consumer financial law." 12 U.S.C. §§ 5491(a), 5563, 5564.

11. The Bureau has independent litigating authority to enforce these laws. 12 U.S.C. § 5564(a), (b).

12. PRA, a wholly owned subsidiary of publicly traded PRA Group, Inc., is one of the largest debt collectors in the United States. Its principal place of business is in Norfolk, Virginia. At all times relevant to this Complaint, PRA has transacted business in this district.

13. At all times relevant to this Complaint, PRA has collected debt related to consumer-financial products or services and is therefore a “covered person” under the CFPA. 12 U.S.C. § 5481(6); *see also* 12 U.S.C. § 5481(5) & (15)(A)(x).

14. At all times relevant to this Complaint, PRA has been a “debt collector” within the meaning of the FDCPA. 15 U.S.C. § 1692a(6).

15. At all times relevant to this Complaint, PRA has furnished consumer-account information to CRAs for inclusion in a consumer report and has been a “furnisher” within the meaning of FCRA and Regulation V. 12 C.F.R. § 1022.41(c). The consumer-report information or other account information that PRA has collected and furnished to CRAs 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. This activity is a consumer-financial product or service under the CFPA. 12 U.S.C. § 5481(5), (15)(A)(ix).

FACTUAL BACKGROUND

The Bureau’s Order Against PRA

16. On September 9, 2015, the Bureau entered the Order against PRA concerning PRA’s purchase and collection of debt.

17. The Order resolved claims that PRA was making false or unsubstantiated representations to consumers about owing debts; misrepresenting that PRA intended to

prove debts if consumers contested them; filing misleading affidavits in debt-collection actions; misrepresenting that PRA had legally enforceable claims to debts outside of the applicable statutes of limitations; misrepresenting that attorneys had reviewed a consumer's debt or that collectors were calling on behalf of attorneys; and misrepresenting that litigation was planned, imminent, or even underway when PRA had not decided whether to file suit. The Bureau found that PRA's practices violated the CFPA and the FDCPA.

18. The Order required PRA to pay at least \$19,045,443 in consumer redress and an \$8 million civil money penalty and to stop collections on over \$3 million worth of judgments.

19. The Order also prohibited PRA from (1) representing the amount or validity of a debt unless PRA could substantiate the representation; (2) selling debt; (3) threatening or filing collection lawsuits without an intent to prove the debt; (4) filing false or misleading affidavits in debt-collection actions; (5) making false or misleading representations; and (6) suing on Time-Barred Debt (as defined in the Order) or otherwise collecting Time-Barred Debt unless PRA complied with specified disclosure requirements.

20. The Order included numerous conduct provisions to ensure that PRA would adhere to these prohibitions.

PRA Represented the Validity or Amount of Unsubstantiated Debt

21. Paragraph 116 of the Order prohibited PRA from "making any representation, expressly or by implication, that a Consumer owes a Debt to [PRA] or as to the amount of a Debt unless, at the time of making the representation, [PRA] can substantiate the representation."

22. Paragraph 116 of the Order further provided that, whenever a consumer disputed the accuracy or validity of a debt, PRA could not make any further representations about the debt's validity or amount until it had reviewed (a) Original Account Level Documentation (OALD) "reflecting the Consumer's name and the claimed amount excluding any post Charge-off or post-judgment payments"; or (b) if the claimed amount was "higher than the charge-off balance or judgment balance," OALD "reflecting the Charge-off Balance or judgment balance and . . . an explanation of how the claimed amount was calculated and why such an increase [was] authorized by the agreement creating the Debt or permitted by law."

23. Paragraph 16 of the Order defined OALD as "(a) any documentation that a Creditor, or that Creditor's agent (such as a servicer) provided to a Consumer about a Debt; or (b) a complete transactional history of a Debt created by a Creditor, or that Creditor's agent (such as a servicer); or (c) a copy of a judgment, awarded to a Creditor."

24. From at least March 7, 2016 to September 9, 2020, PRA made at least tens of thousands of representations about an unsubstantiated debt whose amount or validity a consumer had disputed without reviewing the necessary OALD and information.

25. For some of these disputed debts, PRA did not possess and thus did not review OALD reflecting the consumer's name and claimed amount at the time of the dispute, but nonetheless resolved the dispute in its favor and renewed collections of the unsubstantiated debt.

26. For other of these disputed debts, PRA represented the amount or validity of the debt while the dispute was pending and PRA had not reviewed OALD to substantiate the debt.

**PRA Engaged in Legal Collections
Without Offering, Providing, or Possessing the Requisite Documents**

27. Paragraph 15 of the Order defined “Legal Collection” as “any collection efforts made by [PRA’s] internal legal department or a Law Firm to collect [PRA’s] Debt, including but not limited to sending letters on Law Firm letterhead and filing Debt Collection Lawsuits.”

28. Paragraph 11 of the Order defined “Debt Collection Lawsuit” as “any lawsuit filed by [PRA], or on behalf of [PRA] by a Law Firm, against any Consumer for the purpose of collecting any Debt.”

PRA initiated Legal Collections without offering to provide required documents.

29. Paragraph 119 of the Order prohibited PRA from initiating a Debt Collection Lawsuit unless it possessed (a) OALD reflecting the consumer’s name, account number, and claimed amount; (b) OALD reflecting the terms and conditions applicable to the debt if the suit included a breach-of-contract claim; (c) a listing of prior debt owners; (d) “a certified or other properly authenticated copy of each bill of sale or other document evidencing the transfer of ownership of the Debt at the time of Charge-off to each successive owner”; and (e) either a signed document evidencing the opening of the account or OALD “reflecting a purchase, payment, or other actual use.”

30. Paragraph 120(e) of the Order prohibited PRA from engaging in Legal Collections without previously providing a statement to the consumer that the consumer could request and would receive within 30 days all the documents PRA would need to possess, per paragraph 119 of the Order, when initiating a Debt Collection Lawsuit.

31. From at least March 7, 2016 to September 9, 2020, PRA sent to millions of consumers, at the time of commencing Legal Collections, a form letter that offered only

some of the required documents. This letter did not offer “a certified or other properly authenticated copy of each bill of sale or other document evidencing the transfer of ownership of the Debt at the time of Charge-off to each successive owner,” and it offered to provide only “available” OALD, meaning it would not provide OALD reflecting the name and claimed amount if it did not possess such a document.

32. After initiating Legal Collections, PRA did not make any other offer to consumers to provide the documents required under paragraph 119 of the Order.

PRA misrepresented that it would provide the specified documents within 30 days.

33. Paragraph 122 of the Order prohibited PRA from making any material misrepresentation or omission or assisting others in making any material misrepresentation or omission, expressly or by implication.

34. The form letter that PRA has provided since at least March 7, 2016 when commencing Legal Collections has stated that, upon receipt of a written request from the consumer, PRA would provide within 30 days of request the documents enumerated in PRA’s letter, including “either a signed account application or account statements reflecting a purchase, payment or other use of the account.”

35. On at least hundreds of occasions since March 7, 2016, PRA did not provide to the consumer all documents offered in its form letter within 30 days of receiving a consumer’s written request for the documents.

36. PRA’s false representations about providing documents within 30 days impeded consumers’ ability to determine whether a debt was truly owed and were likely to affect consumers’ decision-making about whether and how to respond to allegedly outstanding debts.

PRA initiated Debt Collection Lawsuits with breach-of-contract claims without possessing OALD reflecting the debt's terms and conditions.

37. As noted above, paragraph 119(a) of the Order prohibited PRA from initiating a Debt Collection Lawsuit that included a breach-of-contract claim unless it possessed OALD reflecting “the contractual terms and conditions applicable to the debt.”

38. From at least March 7, 2016 to September 9, 2020, PRA initiated thousands of Debt Collection Lawsuits with a breach-of-contract claim when it did not possess OALD reflecting the contractual terms and conditions applicable to the debt.

PRA Improperly Collected on Time-Barred Debt

39. Paragraph 23 of the Order defined “Time-Barred” debt as “any Debt that is beyond an applicable statute of limitations for a Debt Collection Lawsuit.”

PRA collected on Time-Barred Debt without providing the required disclosure.

40. Paragraph 126 of the Order required that, when PRA attempted to collect on Time-Barred Debt, it had to disclose to the consumer that it would not sue because of the age of the debt and, if appropriate, that it would not report the consumer's non-payment to the CRAs.

41. When PRA purchased debt, it estimated the statute of limitations (SOL) that governed the debt, which it then tracked in its system (internally tracked SOL). PRA did not provide to the consumer the disclosure required by paragraph 126 of the Order unless the debt it was attempting to collect was beyond its internally tracked SOL.

42. On numerous occasions from at least December 8, 2015, to September 9, 2020, PRA's internally tracked SOL date reflected that the debt was not beyond the statute of limitations when, in fact, the applicable statute of limitations had expired.

43. On numerous occasions from at least December 8, 2015 to September 9, 2020, PRA attempted to collect Time-Barred Debt after the actual statute of limitations had expired without providing the disclosure required by paragraph 126 of the Order.

PRA sued on Time-Barred Debt.

44. Paragraph 125 of the Order prohibited PRA from suing on any Time-Barred debt through litigation or arbitration.

45. Since at least December 8, 2015, PRA has initiated at least dozens of Debt Collection Lawsuits for Time-Barred Debt.

**PRA Failed to Timely Resolve,
Conduct Reasonable Investigations of,
or Maintain Reasonable Written Policies and Procedures for Disputes**

46. A "Direct Dispute" is "a dispute submitted directly to a furnisher (including a furnisher that is a debt collector) by a consumer concerning the accuracy of any information contained in a consumer report and pertaining to an account or other relationship that the furnisher has or had with the consumer." 12 C.F.R. § 1022.41(b).

47. An "Indirect Dispute" is a dispute submitted to a CRA by a consumer concerning the completeness or accuracy of information provided by a furnisher to that CRA that is then forwarded to the furnisher pursuant to 15 U.S.C. § 1681i(a)(2).

48. As a data furnisher, PRA must process, investigate, and resolve Direct Disputes and Indirect Disputes pursuant to FCRA, 15 U.S.C. § 1681s-2(a)(8), (b), and its implementing Regulation V, 12 C.F.R. §§ 1022.42-43.

PRA lacked a procedure to ensure timely resolution of Direct Disputes.

49. Since at least September 9, 2015, PRA has maintained a system designed to resolve Direct Disputes within 30 days of the date marked in PRA's system as the receipt date.

50. But before January 2017, PRA recorded as the receipt date the date a Direct Dispute was entered into PRA's system, which was often several days after PRA in fact received the dispute.

51. As a result, PRA's system failed to ensure that disputes were resolved within 30 days of the receipt date.

52. Before January 2017, PRA had no other policy, procedure, or system in place to ensure that Direct Disputes were investigated and resolved within the period required by § 611(a)(1) of FCRA, 15 U.S.C. § 1681i(a)(1), which is typically 30 days from the date of receipt.

PRA failed to timely resolve or provide frivolous or irrelevant determination notices for Direct Disputes.

53. For numerous Direct Disputes submitted through January 2017 that consumers sent to PRA at an address permitted by 12 C.F.R. § 1022.43(c) and included the explanatory information and documentation required by 12 C.F.R. § 1022.43(d), PRA recorded in its system a receipt date that was later than the actual receipt date. As a result, for numerous of these Direct Disputes, PRA did not report the results of its investigation to the consumer before the expiration of the timeframe set by § 611(a)(1) of FCRA, 15 U.S.C. § 1681i(a)(1), which is typically 30 days.

54. Since at least September 9, 2015, PRA has classified as "non-specific" Direct Disputes it has received from consumers with a notice that PRA determined did

not include sufficient information to identify the account or other relationship that was in dispute and the specific information that the consumer was disputing and an explanation of the basis for the dispute.

55. With at least tens of thousands of Direct Disputes that PRA deemed “non-specific” since at least September 9, 2015, PRA neither (1) conducted an investigation of the dispute and reported its results to the consumer within the timeframe set by § 611(a)(1) of FCRA, 15 U.S.C. § 1681i(a)(1); nor (2) provided a notice to the consumer that indicated that PRA had determined that the dispute was “frivolous or irrelevant” and the reasons for such determination and that identified any information required to investigate the disputed information.

56. In addition, until at least September 2016, PRA’s operations for processing and recording Direct Disputes were insufficient to ensure that all Direct Disputes were entered into PRA’s system of record. Between at least June 2015 and September 2016, PRA received but failed to input into its system over 2,500 properly addressed Direct Disputes (“the backlog”). As a result, PRA did not timely respond to and, when necessary, investigate these Direct Disputes.

57. After PRA realized that it had failed to process the backlog, PRA determined that over 900 of the Direct Disputes in the backlog were “frivolous or irrelevant.” But PRA did not, within five days of such a determination, provide consumers with a notice that indicated that PRA had determined the dispute was “frivolous or irrelevant” and the reasons for such determination and that identified the information required to investigate the disputed information.

58. PRA also determined that, for over 1,500 of the backlogged Direct Disputes, PRA had an obligation to investigate because the dispute had been submitted

with a notice that included the explanatory information and documentation required by 12 C.F.R. § 1022.43(d). Because of its delayed processing, PRA failed to investigate and report the results of these disputes to the consumers before the expiration of the timeframe set by § 611(a)(1) of FCRA, 15 U.S.C. § 1681i(a)(1).

PRA failed to conduct reasonable investigations of Direct and Indirect Disputes.

59. Since at least September 2015, PRA has resolved numerous Direct Disputes and Indirect Disputes that it classified as “fraud/ID theft” in PRA’s favor—meaning that it found no fraud or identify theft—after considering only the following: (1) the consumer did not submit a PRA-approved fraud document (like a police report or notarized affidavit), (2) PRA possessed OALD reflecting the consumer’s name and claimed amount, and (3) PRA’s records reflected that the consumer previously paid on the debt.

60. As described in paragraph 58 of this Complaint, PRA had an obligation to investigate over 1,500 Direct Disputes in the backlog. Once it eventually processed these disputes, PRA resolved them using a categorical methodology based on limited criteria, including whether there was a judgment, the resolution of prior disputes, and whether the consumer had made a payment on the debt.

61. As a result of PRA’s formulaic resolution of the backlog disputes and numerous “fraud/ID theft” disputes, PRA conducted unreasonable investigations that did not appropriately evaluate relevant information. For instance, PRA failed to (a) consider whether it possessed other information supporting a finding of fraud or ID theft; (b) evaluate reasons why the consumer may have made a payment on the debt

even if she did not owe it; or (c) or identify when the payment was made before the fraud or ID theft allegedly occurred.

COUNT I: VIOLATING THE CFPA BY VIOLATING THE ORDER

62. The Bureau incorporates the allegations set forth in paragraphs 1-61 of this Complaint.

63. The Order is an “order prescribed by the Bureau” and is, therefore, a “Federal consumer financial law” under the CFPA. 12 U.S.C. § 5481(14).

64. Under § 1036(a)(1)(A) of the CFPA, it is unlawful for covered persons, such as PRA, to “commit any act or omission in violation of a Federal consumer financial law.” 12 U.S.C. § 5536(a)(1)(A).

65. PRA violated the Order by:

a. between at least March 7, 2016 and September 9, 2020, making representations about the amount or validity of unsubstantiated debt, in violation of paragraph 116 of the Order;

b. between at least March 7, 2016 and September 9, 2020, engaging in Legal Collections without offering to provide to consumers the documents required by paragraph 120 of the Order;

c. between at least March 7, 2016 and September 9, 2020, misrepresenting that it would provide within 30 days the documents specified in the form letter PRA sent when initiating Legal Collections, in violation of paragraph 122 of the Order;

d. between at least March 7, 2016 and September 9, 2020, initiating Debt Collection Lawsuits with breach-of-contract claims without possessing OALD reflecting terms and conditions, in violation of paragraph 119 of the Order;

e. between at least December 9, 2015 and September 9, 2020, failing to disclose when it was attempting to collect Time-Barred Debt, in violation of paragraph 126 of the Order; and

f. between at least December 9, 2015 and September 9, 2020, initiating Debt Collection Lawsuits for Time-Barred Debt.

66. By violating the Order's requirements, PRA committed acts or omissions that violated "Federal consumer financial law" and § 1036(a)(1)(A) of the CFPA. 12 U.S.C. § 5536(a)(1)(A).

**COUNT II: DECEPTIVE ACTS OR PRACTICES IN VIOLATION OF THE CFPA
(Letters Sent to Consumers When Initiating Legal Collections)**

67. The Bureau incorporates the allegations set forth in paragraphs 1-61 of this Complaint.

68. Section 1036(a)(1)(B) of the CFPA prohibits covered persons, such as PRA, from engaging in deceptive acts or practices. 12 U.S.C. § 5536(a)(1)(B).

69. In the letters it sent to consumers when initiating Legal Collections, PRA expressly represented that it would provide the specified documents within 30 days. In numerous instances, these representations misled or were likely to mislead consumers because PRA did not provide or could not have provided all specified documents within 30 days of request.

70. These representations were material because they were express and because they impeded consumers' ability to determine whether a debt was truly owed.

71. PRA therefore engaged in deceptive acts or practices that violated §§ 1031(a) and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(a); 5536(a)(1)(B).

**COUNT III: VIOLATIONS OF THE FDCPA
(Letters Sent to Consumers When Initiating Legal Collections)**

72. The Bureau incorporates the allegations set forth in paragraphs 1-61 of this Complaint.

73. Section 807 of the FDCPA prohibits debt collectors, such as PRA, from using any false, deceptive, or misleading representation or means in connection with the collection of any debt. 15 U.S.C. § 1692e. Specifically, § 807(10) prohibits false representations or deceptive means to collect or attempt to collect any debt. 15 U.S.C. § 1692e(10).

74. In the letters it sent to consumers when initiating Legal Collections, PRA expressly represented that it would provide the specified documents within 30 days. In numerous instances, these representations were false or misleading because PRA did not provide or could not have provided all specified documents within 30 days of request.

75. These representations were made in letters in which PRA attempted to collect debt and were therefore “in connection with the collection of any debt” within the meaning of the FDCPA. 15 U.S.C. § 1692e.

76. PRA therefore used false, misleading, or deceptive representations or means in connection with the collection of debts, in violation of § 807 and 807(10) of the FDCPA. 15 U.S.C. §§ 1692e, 1692e(10).

**COUNT IV: DECEPTIVE ACTS OR PRACTICES IN VIOLATION OF
THE CFPA
(Suing on Time-Barred Debt)**

77. The Bureau incorporates the allegations set forth in paragraphs 1-61 of this Complaint.

78. Section 1036(a)(1)(B) of the CFPA prohibits covered persons, such as PRA, from engaging in deceptive acts or practices. 12 U.S.C. § 5536(a)(1)(B).

79. PRA sued numerous consumers on Time-Barred Debt.

80. These lawsuits represented implicitly or explicitly, directly or by implication, that consumers had legally enforceable obligations to pay these debts.

81. These representations were material because they were likely to affect consumers' choices about whether and how to respond to the allegedly outstanding debts.

82. These representations were likely to mislead consumers because they were untrue; as these debts had passed the applicable statutes of limitations, the consumers did not have legally enforceable obligations to pay these debts.

83. PRA therefore engaged in deceptive acts or practices that violated §§ 1031(a) and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(a); 5536(a)(1)(B).

**COUNT V: VIOLATIONS OF THE FDCPA
(Suing on Time-Barred Debt)**

84. The Bureau incorporates the allegations set forth in paragraphs 1-61 of this Complaint.

85. Section 807 of the FDCPA prohibits debt collectors, such as PRA, from using any false, deceptive, or misleading representation or means in connection with the collection of any debt. 15 U.S.C. § 1692e. Specifically, § 807(2)(A) prohibits false representations of the legal status of a debt, § 807(5) prohibits threats to take action that cannot legally be taken or that is not intended to be taken, and § 807(10) prohibits false

representations or deceptive means to collect or attempt to collect any debt. 15 U.S.C. § 1692e(2)(A), (5), (10).

86. PRA sued numerous consumers on Time-Barred Debt.

87. Because these lawsuits were intended to collect debt, they were “in connection with the collection of any debt” within the meaning of the FDCPA. 15 U.S.C. § 1692e.

88. Whether a debt is legally enforceable concerns the character or legal status of a debt.

89. The reasonable interpretation of these lawsuits, implicitly or explicitly, directly or by implication, was that consumers had legally enforceable obligations to pay these debts.

90. These representations were false or misleading because they were untrue; as these debts had passed the applicable statutes of limitations, the consumers did not have legally enforceable obligations to pay these debts.

91. PRA therefore used false, misleading, or deceptive representations or means in connection with the collection of debts, in violation of §§ 807, 807(2)(A), 807(5), and 807(10) of the FDCPA. 15 U.S.C. §§ 1692e, 1692e(2)(A), (5), (10).

COUNT VI: VIOLATING THE CFPA BY VIOLATING THE FDCPA

92. The Bureau incorporates the allegations set forth in paragraphs 1-61 of this Complaint.

93. Section 1036(a)(1)(A) of the CFPA makes it unlawful for covered persons to “commit any act or omission in violation of a Federal consumer financial law.” 12 U.S.C. § 5536(a)(1)(A).

94. The FDCPA is a “Federal consumer financial law.” 12 U.S.C. § 5481(12)(H), (14).

95. PRA is a “covered person” under the CFPA. 12 U.S.C. § 5481(6).

96. Under § 814(c) of the FDCPA, any violation of the FDCPA is also deemed to be a violation of the CFPA. 15 U.S.C. § 1692l(c).

97. By violating the FDCPA as described in Counts III and V, PRA violated the CFPA. 12 U.S.C. § 5536(a)(1)(A); 15 U.S.C. § 1692l(c).

**COUNT VII: VIOLATIONS OF FCRA
(Untimely Resolution of Direct Disputes)**

98. The Bureau incorporates the allegations contained in paragraphs 1-61 of this Complaint.

99. For Direct Disputes addressed pursuant to 12 C.F.R. § 1022.43(c) and that include the explanatory information and documentation required by 12 C.F.R. § 1022.43(d), section 623(a)(8)(E)(i)-(iii) of FCRA and its implementing provisions in Regulation V require a furnisher to complete a reasonable investigation of the dispute and report the results of the investigation to the consumer before the expiration of the timeframe set by § 611(a)(1) of FCRA, 15 U.S.C. § 1681i(a)(1), which is normally 30 days from receipt of the dispute, unless the furnisher reasonably determines that the dispute is “frivolous or irrelevant.” 15 U.S.C. § 1681s-2(a)(8)(D)-(F); 12 C.F.R. § 1022.43(a)-(f).

100. Section 623(a)(8)(F) of FCRA and its implementing provisions in Regulation V provide that, if a furnisher reasonably determines that a Direct Dispute is “frivolous or irrelevant,” then the furnisher must notify the consumer of this determination. 15 U.S.C. § 1681s-2(a)(8)(F)(i)(I), (ii); 12 C.F.R. § 1022.43(f)(1)(i), (2). A furnisher must provide this “frivolous or irrelevant” notice not later than five business

days after making the determination, and the notice must include the reasons for such determination and identify any information required to investigate the disputed information. 15 U.S.C. § 1681s-2(a)(8)(F)(ii)-(iii); 12 C.F.R. § 1022.43(f)(2)-(3).

101. For numerous Direct Disputes that PRA was obligated to investigate and where PRA recorded a receipt date that was later than the actual receipt date, PRA did not report the results of the investigation to the consumer before the expiration of the timeframe set by § 611(a)(1) of FCRA, 15 U.S.C. § 1681i(a)(1).

102. With numerous Direct Disputes that PRA deemed “non-specific” since at least September 9, 2015, PRA neither reported the results of the investigation to the consumer before the expiration of the timeframe set by § 611(a)(1) of FCRA, 15 U.S.C. § 1681i(a)(1), nor provided a “frivolous or irrelevant” determination notice to the consumer within five business day after making the determination.

103. With over 1,500 Direct Disputes in the backlog that PRA had an obligation to investigate, PRA failed to report the results of its investigations to the consumer before the expiration of the timeframe set by § 611(a)(1) of FCRA, 15 U.S.C. § 1681i(a)(1).

104. With over 900 Direct Disputes in the backlog that PRA determined were “frivolous or irrelevant,” PRA did not provide the consumer with the required “frivolous or irrelevant” notice within five days of the determination.

105. PRA therefore violated § 623(a)(8)(E)(iii) of FCRA, 15 U.S.C. § 1681s-2(a)(8)(E)(iii), and Regulation V, 12 C.F.R. § 1022.43(e)(3), with numerous Direct Disputes recorded with the incorrect receipt date, backlogged Direct Disputes, and “non-specific” Direct Disputes for which PRA was required to report the results of the investigation before the expiration of the timeframe set by § 611(a)(1) of FCRA, 15 U.S.C. § 1681i(a)(1).

106. PRA therefore violated § 623(a)(8)(F)(ii) and (iii) of FCRA, 15 U.S.C. § 1681s-2(a)(8)(F)(ii)-(iii), and Regulation V, 12 C.F.R. § 1022.43(f)(2)–(3), with numerous “non-specific” and backlogged Direct Disputes where PRA was required to provide a “frivolous or irrelevant” determination notice.

**COUNT VIII: VIOLATIONS OF FCRA
(Failure to Conduct Reasonable Investigations)**

107. The Bureau incorporates the allegations contained in paragraphs 1-61 of this Complaint.

108. Sections 623(a)(8)(E)(i)-(ii) of FCRA and its implementing provisions in Regulation V require a furnisher to conduct a reasonable investigation of a Direct Dispute that includes a review of all relevant information provided by the consumer with the dispute notice. 15 U.S.C. § 1681s-2(a)(8)(E)(i)-(ii); 12 C.F.R. § 1022.43(a), (e)(1)-(2).

109. Similarly, § 623(b)(1)(A)-(B) of FCRA requires a furnisher to conduct a reasonable investigation of an Indirect Dispute that includes a review all relevant information provided by the CRA. 15 U.S.C. § 1681s-2(b)(1)(A)-(B).

110. Since at least September 2015, PRA has failed to conduct reasonable investigations of numerous Direct and Indirect Disputes it classified as “fraud/ID theft” by considering only that (1) the consumer did not submit a PRA-approved fraud document, (2) PRA possessed OALD reflecting the consumer’s name and claimed amount, and (3) PRA’s records reflected that the consumer previously paid on the debt.

111. Between at least June 2015 and September 2016, PRA failed to conduct reasonable investigations that included a review of all relevant information provided by

the consumer for the backlogged Direct Disputes that PRA had an obligation to investigate.

112. PRA therefore violated § 623(a)(8)(E)(i)–(ii) and 623(b)(1)(A)–(B) of FCRA, 15 U.S.C. § 1681s-2(a)(8)(E)(i)–(ii), (b)(1)(A)–(B), by failing to conduct reasonable investigations of numerous Direct and Indirect Disputes.

COUNT IX: VIOLATING THE CFPA BY VIOLATING FCRA

113. The Bureau incorporates the allegations set forth in paragraphs 1-61 of this Complaint.

114. Section 1036(a)(1)(A) of the CFPA makes it unlawful for covered persons to “commit any act or omission in violation of a Federal consumer financial law.” 12 U.S.C. § 5536(a)(1)(A).

115. The CFPA defines “Federal consumer financial law” to include most provisions of FCRA, including § 623 of FCRA, 15 U.S.C. § 1681s-2, and its implementing regulation, Regulation V. 12 U.S.C. § 5481(12)(F), (14).

116. PRA is a “covered person” under the CFPA. 12 U.S.C. § 5481(6).

117. PRA’s violations of § 623(a)(8) and (b)(1) of FCRA, described in Counts VII-VIII, constitute violations of § 1036(a)(1)(A) of the CFPA. 12 U.S.C. § 5536(a)(1)(A).

**COUNT X: VIOLATIONS OF REGULATION V
(Failure to Maintain Reasonable Policies and Procedures)**

118. The Bureau incorporates the allegations contained in paragraphs 1-61 of this Complaint.

119. Regulation V requires a furnisher to establish and implement reasonable written policies and procedures regarding the accuracy and integrity of the information relating to consumers that it furnishes to a CRA. 12 C.F.R. § 1022.42.

120. Since at least September 2015, PRA has failed to establish and implement reasonable written policies and procedures governing the investigation of fraud/ID theft disputes.

121. Before January 2017, PRA failed to establish and implement reasonable written policies and procedures that ensured disputes were resolved within the period required by §§ 611(a)(1) and 623(a)(8)(E)(iii) and (b)(2) of FCRA, 15 U.S.C. §§ 1681i(a)(1), 1681s-2(a)(8)(E)(iii) and (b)(2).

122. PRA therefore violated Regulation V, 12 C.F.R. § 1022.42, by failing to establish and implement reasonable written policies and procedures regarding the accuracy and integrity of the information relating to consumers that it furnished to CRAs.

COUNT XI: VIOLATING THE CFPA BY VIOLATING REGULATION V

123. The Bureau incorporates the allegations set forth in paragraphs 1-61 of this Complaint.

124. Section 1036(a)(1)(A) of the CFPA makes it unlawful for covered persons to “commit any act or omission in violation of a Federal consumer financial law.” 12 U.S.C. § 5536(a)(1)(A).

125. The CFPA defines “Federal consumer financial law” to include most provisions of FCRA’s implementing regulation, Regulation V. 12 U.S.C. § 5481(12)(F), (14).

126. PRA is a “covered person” under the CFPA. 12 U.S.C. § 5481(16).

127. PRA’s violations of Regulation V described in Count X constitute violations of § 1036(a)(1)(A) of the CFPA. 12 U.S.C. § 5536(a)(1)(A).

DEMAND FOR RELIEF

Accordingly, the Bureau requests that the Court:

- a. permanently enjoin PRA from committing future violations of the CFPA, FDCPA, FCRA, or any provision of “Federal consumer financial law,” as defined by 12 U.S.C. § 5481(14);
- b. grant additional injunctive relief as the Court deems just and proper;
- c. order PRA to pay damages, restitution, redress, or other monetary relief to consumers, including the refund of money;
- d. order the disgorgement of PRA’s ill-gotten gains or compensation for unjust compensation;
- e. award a civil money penalty under 12 U.S.C. § 5565(c);
- f. order PRA to pay the Bureau’s costs incurred in connection with prosecuting this action; and
- g. award additional relief as the Court deems just and proper.

Dated: March 23, 2023

Respectfully submitted,

ERIC HALPERIN
Enforcement Director

DEBORAH MORRIS
Deputy Enforcement Director

MICHAEL FAVRETTO
Assistant Litigation Deputy

/s/ Kara K. Miller
KARA K. MILLER (VA Bar No. 47821)
Assistant Litigation Deputy

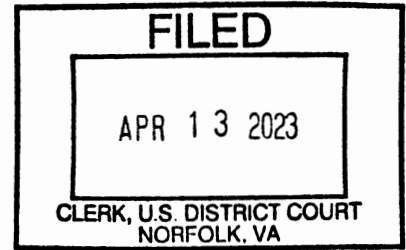
JOANNA SHALLECK-KLEIN (CA Bar No. 275686)
Senior Litigation Counsel

RENÉE S. ORLEANS (MD Bar)
Senior Litigation Counsel

1700 G Street, NW
Washington, DC 20552
Email: kara.miller@cfpb.gov
Email: joanna.shalleck-klein@cfpb.gov
Email: renee.orleans@cfpb.gov
Tel.: (202) 435-7825 (Miller)
Tel.: (202) 435-9095 (Shalleck-Klein)
Tel: (202) 435-7271 (Orleans)
Fax: (202) 435-7329

Attorneys for Plaintiff
Consumer Financial Protection Bureau

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
NORFOLK DIVISION



Consumer Financial Protection Bureau,

Plaintiff,

v.

Portfolio Recovery Associates, LLC,

Defendant.

Case No. 2:23-cv-110

**STIPULATED FINAL JUDGMENT
AND ORDER**

The Consumer Financial Protection Bureau (Bureau) commenced this civil action on March 23, 2023 to obtain injunctive and monetary relief and civil penalties from Portfolio Recovery Associates, LLC (Defendant, as defined below). The Complaint alleges that, in connection with its debt collection and furnishing activities, Defendant violated sections 1031(a) and 1036(a)(1) of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531(a), 5536(a)(1); sections 623(a)(8)(E)-(F) and 623(b)(1) of the Fair Credit Reporting Act (FCRA), 15 U.S.C. §§ 1681s-2(a)(8)(E)-(F), (b); sections 1022.42 and 1022.43 of Regulation V, 12 C.F.R. §§ 1022.42-1022.43; and sections 807 and 814 of the Fair Debt Collection Practices Act (FDCPA), 15 U.S.C. §§ 1692e, 1692l.

The Bureau and Defendant agree to entry of this Stipulated Final Judgment and Order (Order), without adjudication of any issue of fact or law, to settle and resolve all matters in dispute arising from the conduct alleged in the Complaint.

FINDINGS

1. This Court has jurisdiction over the parties and the subject matter of this action.

2. Defendant neither admits nor denies any allegations in the Complaint except as specified in this Order. For purposes of this Order, Defendant admits the facts necessary to establish the Court's jurisdiction over it and the subject matter jurisdiction related to the Lawsuit Subject Matter.

3. Defendant waives service under Rule 4(d) of the Federal Rules of Civil Procedure and waives all rights to seek judicial review or otherwise challenge or contest the validity of this Order and any claim it may have under the Equal Access to Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action to the date of this Order. Each Party agrees to bear its own costs and expenses, including, without limitation, attorneys' fees.

4. Entry of this Order is in the public interest.

DEFINITIONS

5. The following definitions apply to this Order:

a. "2015 Order" means the administrative order the Bureau issued against Portfolio Recovery Associates, LLC on September 9, 2015, entitled *In re Portfolio Recovery Associates, LLC*, 2015-CFPB-0023 (Sept. 9, 2015).

b. "Board" means the duly-elected and acting Board of Directors of Defendant's parent company, PRA Group, Inc.

c. "Charge-off" means the treatment of a receivable balance by a Creditor as a loss or expense because payment is unlikely.

d. "Charge-off Balance" means the amount alleged due on an account receivable at the time of Charge-off.

e. "Claimed Amount" means the amount Defendant claims is owed at the moment of Collecting.

- f. **“Clear and Conspicuous” means readily understandable and:**
 - i. **in the case of written and electronic disclosures, the location and type size also must be readily noticeable and legible to consumers; and**
 - ii. **in the case of oral disclosures, the disclosures also must be given at a volume and speed sufficient for the consumer to hear and comprehend them. 12 C.F.R. § 1006.34(b)(1).**

- g. **“Collection” or “Collecting” or “Collect” means making a representation, expressly or by implication, that a Consumer owes a Debt or about the amount of the Debt or otherwise taking any action with a Consumer in furtherance of obtaining payment for a Debt, excluding Collection activity authorized by Title 11 of the United States Code.**

- h. **“Consumer” means any natural person obligated or allegedly obligated to pay any Debt. 15 U.S.C. § 1692a(3).**

- i. **“Consumer Reporting Agency” or “CRA” means any individual, partnership, corporation, trust, estate, cooperative, association, government or governmental subdivision or agency, or other entity “which, for monetary fees, dues, or on a cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties, and which uses any means or facility of interstate commerce for the purpose of preparing or furnishing consumer reports.” 15 U.S.C. § 1681a(f).**

- j. **“Covered Dispute” means (a) any written or oral dispute concerning the accuracy or validity of a Debt submitted directly to Defendant or a Law Firm**

that includes sufficient information to identify the account or other relationship that is in dispute (including but not limited to any Direct Dispute); and (b) any Indirect Dispute.

k. "Creditor" means any person other than Defendant who offers or extends credit creating a Debt or to whom a Debt is owed provided that the Debt was not in default at the time it was obtained by such person.

l. "Debt" means any obligation or alleged obligation of a Consumer to pay money arising out of a transaction in which the money, property, insurance or services that are the subject of the transaction are primarily for personal, family, or household purposes, whether or not such obligation has been reduced to judgment. 15 U.S.C. § 1692a(5).

m. "Debt Collection Lawsuit" means any lawsuit filed by or on behalf of Defendant against any Consumer for the purpose of Collecting any Debt.

n. "Defendant" means Portfolio Recovery Associates, LLC, and its successors and assigns.

o. "Direct Dispute" means a dispute submitted directly to Defendant (1) by a consumer concerning the accuracy of any information contained in a consumer report and pertaining to an account or other relationship that the furnisher has or had with the consumer; and (2) at one of the following addresses: (i) the address of Defendant provided by Defendant and set forth on a consumer report relating to the Consumer; (ii) an address clearly and conspicuously specified by Defendant for submitting Direct Disputes that is provided to the Consumer in writing or electronically (if the Consumer has agreed to the electronic delivery of information from the furnisher); or (iii) any

business address of Defendant if Defendant has not so specified and provided an address for submitting Direct Disputes under (i) or (ii). 12 C.F.R. §§ 1022.41(b), 1022.43(c).

- p. “Documents for Collecting” means all three of the following:**
 - i. OALD that reflects (1) the consumer’s name, (2) the last four digits of the account number assigned to the Debt by the Creditor that created or was awarded the OALD, and (3) the Lower OALD Amount or the amount of the Debt at the time (A) the Creditor Charged-off the Debt, (B) the Creditor or Defendant was awarded the judgment, or (C) Defendant purchased the Debt; and**
 - ii. One of the following three:**
 - A. If the OALD reflects the amount of the Debt at the time of Charge-off, judgment, or purchase:**
 - 1. the transactional history of the Debt since Defendant’s purchase that confirms the Claimed Amount equals the amount the Seller represented was owed at the time of Defendant’s purchase excluding all transactions related to the Debt since Defendant’s purchase; and**
 - 2. if the amount the OALD reflects is less than the amount the Seller represented was owed at Defendant’s purchase: written confirmation by**

Defendant that it has determined that any increases to the Debt after the date of the OALD were authorized by the agreement governing the Debt, which Defendant possesses, or were otherwise in accordance with applicable law; or

B. If the OALD reflects the amount of the Debt at the time of charge-off, judgment, or purchase; that amount is less than the amount the Seller represented was owed at Defendant's purchase; and Defendant seeks to Collect on the amount on the OALD:

1. the transactional history of the Debt since the date Defendant purchased the Debt that confirms the Claimed Amount equals the amount reflected on the OALD excluding all transactions related to the Debt since Defendant's purchase; or

C. If the OALD reflects the Lower OALD Amount:

1. the transactional history of the Debt since the date Defendant purchased the Debt that confirms the Claimed Amount equals the amount reflected on the OALD excluding all transactions related to the Debt since Defendant's purchase; and

iii. For any increase to the Debt from the amount the Seller represented was owed after Defendant's purchase: an agreement governing the Debt that authorizes the increase unless Defendant has confirmed that such increase is otherwise in accordance with applicable law.

q. "Effective Date" means the date on which this Order is entered by the Court.

r. "Enforcement Director" means the Assistant Director of the Office of Enforcement for the Consumer Financial Protection Bureau, or his or her delegate.

s. "Exempted Letter" means any form letter Defendant coded, as of September 9, 2020, as 11, 211, 11A, 23, 12, 212, 12A, 9Q, 9QA, 9QN, 601, 602, 602A, D1, D13, D13A, D17A, D1A, D1N, D2, D2A, D3, D3A, D3AN, D3F, D3FA, D3N, D4, D4A, D4AN, D4N, D5, D5A, D5N, D6, D6A, D7, D7A, D7AN, D7N, D12, D12A, D16, or HRD.

t. "Indirect Dispute" means a dispute submitted to a CRA by a consumer concerning the completeness or accuracy of information provided by Defendant to that CRA that is then forwarded to Defendant pursuant to 15 U.S.C. § 1681i(a)(2).

u. "Law Firm" means those third-party law firms retained by Defendant for the purpose of conducting Collection activities on Defendant's behalf, including litigation.

v. "Lawsuit Subject Matter" means allegations that Defendant violated (1) the CFPA by violating paragraphs 116, 119, 120, 125, and 126 of the 2015 Order

between September 9, 2015 and September 9, 2020; (2) the FDCPA and the CFPA by misrepresenting that it would provide within 30 days the documents specified in the form letter Defendant sent when initiating Legal Collections between September 9, 2015 and the Effective Date; and (3) the CFPA, FCRA, and Regulation V in connection with its practices for resolving Direct Disputes and Indirect Disputes between September 9, 2015 and the Effective Date.

w. **“Legal Collection”** means any Collection efforts made by Defendant’s internal legal department or a Law Firm to Collect a Debt owed or allegedly owed to Defendant, including sending letters on Law Firm letterhead and filing Debt Collection Lawsuits.

x. **“Lower OALD Amount”** means an amount that (a) is reflected as owed on the Debt in OALD the Seller created within 60 days of Charge-off, and (b) is less than the amount that the Seller represents is owed on the Debt at the time of purchase by Defendant;

y. **“Original Account-Level Documentation”** or **“OALD”** means:

- i. any documentation that a Creditor or that Creditor’s agent (such as a servicer) provided to a Consumer about a Debt; or
- ii. a complete transactional history of a Debt created by a Creditor or that Creditor’s agent (such as a servicer); or
- iii. a copy of a judgment awarded to a Creditor or awarded to PRA in a lawsuit filed on or after March 9, 2016.

z. **“Portfolio”** means a collection of Debts sold to Defendant in a single transaction.

aa. **“Regional Director” means the Regional Director for the Southeast Region for the Office of Supervision for the Consumer Financial Protection Bureau, or his or her delegate.**

bb. **“Related Consumer Action” means a private action by or on behalf of one or more consumers (not limited to Consumers, as defined) or an enforcement action by another governmental agency brought against Defendant based on the Lawsuit Subject Matter or substantially the same facts as described in the Complaint.**

cc. **“Seller” means any entity that sells a Portfolio to Defendant.**

dd. **“Service Provider” means any person that provides a material service to Defendant in connection with its debt Collection, dispute resolution, or furnishing activities. “Service Provider” does not include a person solely by virtue of such person offering or providing to Defendant (i) a support service of a type provided to businesses generally or a similar ministerial service; or (ii) time or space for an advertisement for a consumer financial product or service through print, newspaper, or electronic media. 12 U.S.C. § 5481(26).**

ee. **“Time-Barred Debt” means a Debt that is beyond an applicable statute of limitations for a Debt Collection Lawsuit.**

CONDUCT PROVISIONS

I

Prohibitions: Debt Collection Activity

IT IS ORDERED that:

6. Defendant and its officers, agents, servants, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, are permanently restrained and enjoined from:

a. Violating §§ 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536 and §§ 807, 807(2)(A), 807(5), and 807(10) of the FDCPA, 15 U.S.C. § 1692e;

b. In connection with the Collection of Debt, using any false, deceptive, or misleading representation or means; and

c. In connection with the Collection more than 60 days after the Effective Date of a Debt purchased through an agreement executed after September 9, 2015, making, expressly or impliedly, any misrepresentation that is materially inconsistent with the Documents for Collecting relating to the Debt in Defendant's possession.

7. Defendant and its officers, agents, servants, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, are restrained and enjoined for 7 years after the Effective Date from:

a. Collecting on any Debt purchased through an agreement executed between September 9, 2015 and 60 days after the Effective Date without:

unless Defendant has confirmed that such increase is in accordance with applicable law; and

- 3. if Defendant is not restricted in the purchase agreement from engaging in Legal Collection of the Debt, all documents Defendant would need to engage in Legal Collections or file a Debt Collection Lawsuit; and**

- ii. representations and warranties sufficient to establish that each Debt is accurate and valid;**

***provided that*, in the event that Seller commits to provide the Promised Documents but does not commit to do so within either 90 days of closing or 60 days of Defendant's request: Defendant may Collect on the Debt for 90 days after closing, at which time, if Defendant does not possess all Promised Documents identified in paragraphs 7(b)(i)(1)-(2), then (excepting any Debt for which the Consumer has entered into a payment plan for an amount less than the Claimed Amount) Defendant must cease Collecting until it possesses all Promised Documents; and, if Defendant is not in possession of all Promised Documents within 365 days of closing, Defendant must permanently cease Collecting on the Debt, inform the Consumer that it has ceased Collecting on the Debt, and delete any tradelines associated with**

**information about the Debt that Defendant furnished to a
CRA;**

**c. After a consumer submits a Covered Dispute more than 60 days
after the Effective Date, Collecting on the Debt until Defendant possesses and has
reviewed Documents for Collecting, except that, when a Consumer affirmatively
contacts Defendant about a Debt or as required by law, Defendant may
communicate with and accept payment from the Consumer if Defendant Clearly
and Conspicuously discloses to the Consumer that Defendant is investigating the
accuracy and validity of the Debt and the Consumer may not owe the Debt;**

**d. Collecting any Time-Barred Debt through litigation, arbitration, or
any other Legal Collections;**

**e. Collecting any Time-Barred Debt through any means, including but
not limited to telephone calls and written communications, without:**

**i. For those Time-Barred Debts that cannot generally be
included in a consumer report under the provisions of the
FCRA, 15 U.S.C. § 1681c(a), Clearly and Conspicuously
disclosing to the Consumer: “The law limits how long you
can be sued on a debt and how long a debt can appear on
your credit report. Due to the age of this debt, we will not sue
you for it or report payment or non-payment of it to a credit
bureau;” and**

**ii. For all other Time-Barred Debts, Clearly and Conspicuously
disclosing to the Consumer: “The law limits how long you**

can be sued on a debt. Because of the age of your debt, we will not sue you for it;"

provided that, Defendant will be deemed to have complied with this disclosure requirement if it makes a disclosure to a Consumer in a specific jurisdiction that (1) complies with the laws or regulations of that jurisdiction, and (2) is substantially similar to the disclosure required by this paragraph;

f. Making any representation or statement, or taking any other action that interferes with, detracts from, contradicts, or otherwise undermines the disclosures required in Paragraph 7(e);

g. Engaging in any Legal Collections, other than post-judgment Legal Collections, on any account placed into Legal Collections more than 60 days after the Effective Date unless Defendant possesses:

- i. Documents for Collecting;
- ii. A chronological listing of the names of all prior owners of the Debt and the date of each transfer of ownership of the Debt, beginning with the name of the Creditor at the time of Charge-off;
- iii. Each bill of sale or other document that evidences the transfer of ownership of the Debt at the time of Charge-off to each successive owner, including Defendant, and specifically refers to the particular Debt that Defendant is Collecting, which can be done by referencing an exhibit attached to each bill of sale or other document transferring ownership of the

Debt that is represented or warranted by a Seller to be a list of all Debts acquired in that Portfolio; and

- iv. Either (1) a document signed by the Consumer evidencing the opening of the account forming the basis for the Debt; or (2) OALD reflecting a purchase or payment;**

h. Initiating any Debt Collection Lawsuit in which Defendant is suing under a breach of contract claim unless Defendant possesses the contractual terms and conditions applicable to the Debt.

II

Affirmative Requirements: Debt Collection

IT IS FURTHER ORDERED that Defendant and its Law Firms must take the following affirmative actions:

8. For any Debt purchased through an agreement executed more than 60 days after the Effective Date, any time the Seller commits to provide or provides OALD that reflects the Lower OALD Amount but not the amount of the Debt at the time of purchase by Defendant, Charge-off, or judgment, then Defendant must (a) represent to both the Consumer and all CRAs to which it furnishes information about the Debt that the amount owed at the time of Defendant's purchase is the Lower OALD Amount; and (b) Collect on the Debt consistent with those representations.

9. In all written communications with a Consumer made in connection with any Legal Collections on any account placed into Legal Collections more than 60 days after the Effective Date, other than while a Debt Collection Lawsuit is ongoing or if Defendant has obtained a judgment on the Debt, Defendant and its Law Firms must

include a Clear and Conspicuous statement (a) that (i) the Consumer may request, orally or in writing, copies of all documents that Defendant must possess pursuant to Paragraph 7(g), identifying each category of document, and (ii) Defendant will provide these documents "within 30 days of request at no cost" unless Defendant has provided the documents within the previous year; and (b) that if Defendant sues under a breach of contract theory, Defendant will provide the contractual terms and conditions governing the Debt within 30 days of effecting service of the complaint on the Consumer, unless PRA has already provided the Consumer the contractual terms and conditions in response to a request for documents made after PRA initiated Legal Collections.

10. Unless Defendant has already provided documents to the Consumer in the previous year, any time a Consumer with a Debt in Legal Collections for which a judgment has not been issued requests any document relating to that Debt, Defendant must, within 30 days of the request and at no cost to the Consumer, provide all documents that Defendant must possess pursuant to paragraph 7(g), excluding from the bill of sale or other document that evidences the transfer of ownership any information specific to Debts for Consumers other than the Consumer who made the request.

11. Any time that Defendant sues under a breach of contract theory, Defendant must, within 30 days of effecting service of the complaint on the Consumer and at no cost to the Consumer, provide the contractual terms and conditions governing the Debt to the Consumer.

12. Whenever a Consumer with a Debt in Legal Collections for which a judgment has not been issued requests any documents relating to that Debt, Defendant

must track (a) the date of the request; (b) the date that Defendant provided the documents; and (c) the exact documents Defendant provided.

III

Prohibitions: Dispute Resolution Activity

IT IS FURTHER ORDERED that:

13. Defendant and its officers, agents, servants, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, are permanently restrained and enjoined from:

a. violating §§ 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536 and §§ 623(a)(8) and 623(b) of FCRA, 15 U.S.C. §§ 1681s-2(a)(8), (b), and §§ 1022.42 and 1022.43 of Regulation V, 12 C.F.R. §§ 1022.42-1022.43; and

b. when a consumer submits a Direct Dispute or Indirect Dispute alleging fraud or ID theft, resolving the Direct or Indirect Dispute in Defendant's favor based solely on the facts that (a) Defendant possesses OALD reflecting the name and Claimed Amount, (b) the Consumer did not provide a fraud affidavit, police report, or other document evidencing fraud accepted by Defendant, and (c) the Consumer made a past payment on the Debt to Defendant or a previous owner or servicer of the Debt.

IV

Affirmative Requirements: Dispute Resolution Activity

IT IS FURTHER ORDERED that Defendant must take the following affirmative actions:

14. Whenever a Consumer submits to Defendant a Direct Dispute that does not include (a) sufficient information to identify the account or other relationship that is in dispute, such as an account number and the name, address, and telephone number of the Consumer, if applicable; (b) the specific information that the Consumer is disputing and an explanation of the basis for the dispute; and (c) all supporting documentation or other information reasonably required by the furnisher to substantiate the basis of the dispute, Defendant must either (1) comply with all requirements in 12 C.F.R. § 1022.43(e)(1)-(4), or (2) within five business days of determining that the written dispute does not contain all information identified in (a)-(c), above, provide the Consumer with a frivolous or irrelevant determination notice that complies with 12 C.F.R. § 1022.43(f)(2)-(3).

COMPLIANCE PROVISIONS

V

Compliance Plan

IT IS FURTHER ORDERED that:

15. Within 60 days of the Effective Date, Defendant must submit to the Enforcement Director for review and determination of non-objection a comprehensive compliance plan designed to ensure that Defendant's Debt Collection, dispute resolution, and furnishing practices comply with all applicable Federal consumer financial laws and the terms of this Order (Compliance Plan). Provided that the following requirements concerning Service Providers are limited to Service Providers that offer Defendant a Consumer-facing service, the Compliance Plan must include, at a minimum:

- a. **detailed steps for addressing each action required by this Order;**
- b. **policies and procedures that ensure Defendant's compliance with §§ 623(a)(8) and (b) and 623 of FCRA, 15 U.S.C. §§ 1681s-2(a)(8), (b); §§ 1022.42 and 1022.43 of Regulation V, 12 C.F.R. §§ 1022.42-1022.43; § 807 of the FDCPA, 15 U.S.C. § 1692e; and the requirements of this Order;**
- c. **internal audits and monthly monitoring designed to identify and promptly correct any violations of FCRA, Regulation V, the FDCPA, or this Order;**
- d. **templates for any documents or scripts that Defendant will use to provide the statements required by Paragraphs 7 and 9;**
- e. **detailed steps for ensuring that Defendant accurately identifies and tracks the applicable statute of limitations of all Debts on which Defendant Collects and that Defendant records any time it discovered it has tracked a statute of limitations date later than the applicable statute of limitations for a Debt;**
- f. **enhanced policies, procedures, and a program for Law Firm and Service Provider oversight that ensures that Defendant's Law Firms and Service Providers do not, in connection with Collecting Debt on Defendant's behalf, violate this Order, Defendant's policies and procedures, their contracts with Defendant, and any other applicable Federal consumer financial protection laws, including through the following:**
 - i. **prior to entering into a contract with a Law Firm or Service Provider, ensure that the Law Firm or Service Provider has the ability to perform its obligations in compliance with this Order, Defendant's policies and procedures, its contract with Defendant, and all other applicable Federal consumer financial laws;**

ii. for new and renewed contracts, obtain a written contract with the Law Firm or Service Provider that sets forth the responsibilities of each party, including:

1. the Law Firm's or Service Provider's specific performance responsibilities and duty to maintain adequate internal controls;
2. the Law Firm's or Service Provider's duty to provide adequate training on compliance with the relevant provisions of this Order, Defendant's relevant policies and procedures, its contract with Defendant, and all other applicable Federal consumer financial laws;
3. the Law Firm's or Service Provider's duty to alert Defendant whenever a Consumer submits a Covered Dispute or asserts a defense to a Debt Collection Lawsuit or arbitration;
4. Defendant's authority to conduct periodic reviews of the Law Firm's or Service Provider's controls, performance, and information systems related to Debt Collection on behalf of Defendant;
5. Defendant's right to terminate the contract if the Law Firm or Service Provider fails to comply with the terms specified in the contract; and

- iii. **conduct a periodic review of the Law Firm's or Service Provider's controls, performance, and information systems related to Debt Collections;**
- g. **an effective consumer complaint and Covered Disputes document retention and monitoring process, including the maintenance of records of all complaints and Covered Disputes and the resolution of the complaints and Covered Disputes;**
- h. **training, supervision, and monitoring that ensures compliance with §§ 623(a)(8) and (b) and 623 of FCRA, 15 U.S.C. §§ 1681s-2(a)(8), (b); §§ 1022.42 and 1022.43 of Regulation V, 12 C.F.R. §§ 1022.42-1022.43; § 807 of the FDCPA, 15 U.S.C. § 1692e; the requirements of this Order, and Defendant's policies and procedures;**
- i. **an internal annual audit of Defendant's compliance with and Defendant's policies and procedures relating to compliance with this Order, the CFPA, the FDCPA, and FCRA; and**
- j. **specific timeframes and deadlines for implementation of the steps described above.**

16. **The Enforcement Director will have the discretion to make a determination of non-objection to the Compliance Plan or direct Defendant to revise it. If the Enforcement Director directs Defendant to revise the Compliance Plan, Defendant must revise and resubmit the Compliance Plan to the Enforcement Director within 30 days.**

17. **After receiving notification that the Enforcement Director has made a determination of non-objection to the Compliance Plan, Defendant must implement and**

adhere to the steps, recommendations, deadlines, and timeframes outlined in the Compliance Plan.

VI

Role of the Board

IT IS FURTHER ORDERED that:

18. The Board must review all submissions (including plans, reports, programs, policies, and procedures) required by this Order prior to submission to the Bureau.

19. Although this Order requires Defendant to submit certain documents for review or non-objection by the Bureau, the Board will have the ultimate responsibility for proper and sound management of Defendant and for ensuring that Defendant complies with the laws that the Bureau enforces, including Federal consumer financial laws and this Order.

20. In each instance that this Order requires the Board to ensure adherence to, or perform certain obligations of Defendant, the Board must:

- a. authorize whatever actions are necessary for Defendant to fully comply with this Order;**
- b. require timely reporting by management to the Board on the status of compliance obligations; and**
- c. require timely and appropriate corrective action to remedy any material non-compliance with any failures to comply with Board directives related to this Section.**

MONETARY PROVISIONS

VII

Order to Pay Redress

IT IS FURTHER ORDERED that:

21. Within 10 days of the Effective Date, Defendant must reserve or deposit into a segregated deposit account an amount not less than \$12.18 million (Payment Floor) for the purpose of providing the following redress to the following consumers (Redress Consumers):

a. **Seller 1 OALD Consumers:** Any Consumer who submitted a written or oral dispute between March 7, 2016 and September 9, 2020 regarding the accuracy or validity of a Debt that Defendant purchased from Seller 1 as identified in the Redress Plan (regardless of purchase date) that Defendant resolved without reviewing (i) OALD reflecting the Consumer's name and the amount Defendant claimed was owed at the time of Collecting excluding any payments on, credits to, or increases to the Debt since Charge-off or judgment, and (ii) if the amount Defendant claimed was owed at the time of Collecting was higher than the Charge-off or judgment amount, the terms and conditions that provided the legal basis for increasing the Debt amount, and documentation that the increase was in conformity with the terms and conditions.

i. Defendant will refund the amount paid on the Debt since the receipt of said dispute to each Seller 1 OALD Consumer.

b. **Dispute Communication Consumers:** Any Consumer to whom Defendant represented, between March 7, 2016 and September 9, 2020, through any communication other than an Exempted Letter or a telephonic

communication in which the Consumer called Defendant or Defendant's agent, the validity or amount of an unsubstantiated Debt during the period between when Defendant received a dispute about the accuracy or validity of the Debt and when Defendant reviewed (i) OALD reflecting the Consumer's name and the amount Defendant claimed was owed at the time of Collecting excluding any payments on, credits to, or increases to the Debt since Charge-off or judgment, and (ii) if the amount Defendant claimed was owed at the time of Collecting was higher than the Charge-off or judgment amount, the terms and conditions that provided the legal basis for increasing the Debt amount, and documentation that the increase was in conformity with the terms and conditions.

- i. Defendant will refund each Dispute Communication Consumer the amount paid on the Debt between when Defendant received the dispute and when Defendant reviewed either (i) OALD reflecting the Consumer's name and the Debt's Claimed Amount excluding any post-charge-off or post-judgment payments, or (ii) if the Claimed Amount was higher than the charge-off or judgment amount, OALD reflecting the Charge-Off Balance or judgment balance and terms and conditions that provided the legal basis and the methodology for increasing the charge-off amount.

c. **Legal Collections Letter Consumers:** Any Consumer (1) to whom Defendant sent a form letter when initiating Legal Collections between March 7, 2016 and September 9, 2020 (Initial Legal Letter); (2) who requested in writing documents from Defendant after receiving the Initial Legal Letter; and

(3) to whom Defendant did not provide, within 30 days of receipt of the document request, both (a) OALD reflecting name and Claimed Amount excluding any post-charge-off or post-judgment payments, or, if the Claimed Amount was higher than the Charge-off or judgment amount, OALD reflecting the Charge-Off Balance or judgment balance and an explanation of how the Claimed Amount was calculated and why such increase is permitted by agreement or applicable law; and (b) either a signed account application or account statements reflecting a purchase or payment by the Consumer.

i. Defendant will refund each Legal Collections Letter Consumer the amount paid on the Debt for which the Consumer requested documents since the date of such request.

d. T&C Possession Consumers: Any Consumer against whom Defendant initiated a Debt Collection Lawsuit between March 7, 2016 and September 9, 2020 where that Debt Collection Lawsuit included a breach of contract claim, when, at the time of filing the lawsuit, Defendant did not possess the contractual terms and conditions applicable to the Debt.

i. For each T&C Possession Consumer, Defendant (i) will refund or provide certified documentation that it has already refunded the Consumer the amount paid on the Debt since initiation of the Debt Collection Lawsuit; (ii) cease Collecting on the Debt; and (iii) either move to dismiss the Debt Collection Lawsuit (when no judgment was entered), file a satisfaction of judgment for the Debt Collection Lawsuit

(when judgment was already entered), or prove that it has already taken such action.

e. Time-Barred Lawsuit Consumers: Any Consumer against whom Defendant initiated a Debt Collection Lawsuit between December 8, 2015 and September 9, 2020 on a Time-Barred Debt.

i. For each Time-Barred Lawsuit Consumer, Defendant (i) will refund or provide certified documentation that it has already refunded the Consumer the amount paid on the Debt since initiating the Debt-Collection Lawsuit; (ii) cease Collecting on the Debt; and (iii) either move to dismiss the Debt Collection Lawsuit (when no judgment was entered), file a satisfaction of judgment for the Debt Collection Lawsuit (when judgment was already entered), or prove that it has already taken such action.

Defendant may reduce this reserve or the deposit by the amount of any restitution Defendant made prior to the Effective Date that complies with the requirements of this Stipulated Judgment, for the purpose of providing redress to Affected Customers as required by this paragraph. The Redress Plan shall allow for a reduction in the amount of any payments previously refunded to a Redress Consumer by Defendant prior to the Effective Date.

22. Within 60 days of the Effective Date, Defendant must submit to the Enforcement Director for review and non-objection a comprehensive written plan for providing redress consistent with this Order (Redress Plan). The Enforcement Director will have the discretion to make a determination of non-objection to the Redress Plan or

direct Defendant to revise it. If the Enforcement Director directs Defendant to revise the Redress Plan, Defendant must revise and resubmit the Redress Plan to the Enforcement Director within 14 days. After receiving notification that the Enforcement Director has made a determination of non-objection to the Redress Plan, Defendant must implement and adhere to the steps, recommendations, deadlines, and timeframes outlined in the Redress Plan.

23. The Redress Plan must apply to all Redress Consumers and, at a minimum:

a. describe how Defendant will identify the Redress Consumers and identify when it will specify the names and account numbers of the Redress Consumers;

b. describe how Defendant will allocate redress to Redress Consumers and identify when Defendant will specify the exact amounts it will allocate to the Redress Consumers;

c. detail how redress will be provided to Redress Consumers, including detailing how payments will be made to probate or bankruptcy estates in accordance with applicable law; and

d. detail the reasonable efforts that Defendant will undertake to locate consumers to whom redress should be provided and verify their addresses before providing redress.

24. The Redress Plan must include: (1) the form of the letter (Redress Notification Letter) to be sent notifying Redress Consumers of the redress; and (2) the form of the envelope that will contain the Redress Notification Letter. The letter must include language explaining how the amount of redress was calculated and a statement

that the provision of the refund payment complies with the terms of this Order.

Defendant may not include in any envelope containing a Redress Notification Letter any materials other than the approved letters and redress checks.

25. Defendant must provide all relief to Redress Consumers required by this Order, regardless of whether the total of that relief exceeds the amount reserved or deposited into a segregated account under this Section. After completing the Redress Plan, if the amount of redress provided to the Redress Consumers is less than \$12.18 million, then within 30 days of the completion of the Redress Plan, Defendant 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 the Redress Consumers and \$12.18 million.

26. The Bureau may use these remaining funds to pay additional redress to Redress Consumers. If the Bureau determines, in its sole discretion, that additional redress to Redress Consumers 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. Defendant will have no right to challenge any actions that the Bureau or its representatives may take under this section.

27. Defendant may not condition the payment of any redress to any Redress Consumer under this Order on that Redress Consumer waiving any right.

28. Defendant's internal audit department must determine compliance with the Redress Plan.

29. Defendant's internal audit department must prepare a detailed written report of its assessment of Defendant's compliance with the terms of the Redress Plan

(the Redress Report). The Redress Report must include an assessment of the Redress Plan and the methodology used to determine the population of Redress Consumers, the amount of redress for each Redress Consumer, the procedures used to issue and track redress payments, and the work of any independent consultants that Defendant has used to assist and review its execution of the Redress Plan.

30. Defendant must submit the Redress Report to the Enforcement Director and the Board within 90 days after Defendant completes implementation of the Redress Plan.

VIII

Order to Pay Civil Money Penalty

IT IS FURTHER ORDERED that:

31. Under section 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law alleged in the Complaint and continuing until the Effective Date, and taking into account the factors in 12 U.S.C. § 5565(c)(3), Defendant must pay a civil money penalty of \$12 million to the Bureau.

32. Within 10 days of the Effective Date, Defendant 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.

33. The civil money penalty paid under this Order will be deposited in the Civil Penalty Fund of the Bureau as required by section 1017(d) of the CFPA, 12 U.S.C. § 5497(d).

34. Defendant must treat the civil money penalty paid under this Order as a penalty paid to the government for all purposes. Regardless of how the Bureau ultimately uses those funds, Defendant 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 Order; or**
- b. seek or accept, directly or indirectly, reimbursement or indemnification from any source, including payment made under any insurance policy, with regard to any civil money penalty paid under this Order.**

IX

Additional Monetary Provisions

IT IS FURTHER ORDERED that:

35. In the event of any default on Defendant's obligations to make payment under this 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.

36. Defendant relinquishes all dominion, control, and title to the funds paid under this Order to the fullest extent permitted by law and no part of the funds may be returned to Defendant.

37. Under 31 U.S.C. § 7701, Defendant, 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 Order.

38. Within 30 days of the entry of a final judgment, order, or settlement in a Related Consumer Action, Defendant must notify the Enforcement Director of the final

judgment, order, or settlement in writing. That notification must indicate the amount of redress, if any, that Defendant 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. To preserve the deterrent effect of the civil money penalty in any Related Consumer Action, Defendant may not argue that it is entitled to, nor may Defendant 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 Defendant based on the civil money penalty paid in this action or based on any payment that the Bureau makes from the Civil Penalty Fund, Defendant 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.

ADDITIONAL PROVISIONS

X

Reporting Requirements

IT IS FURTHER ORDERED that:

39. Defendant must notify the Bureau of any development that may affect compliance obligations arising under this Order, including 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 Order; the filing of any bankruptcy or insolvency proceeding by or against Defendant; or a change in Defendant's name or address. Defendant must provide this notice at least 30 days before the development or as soon as practicable after the learning about the development, whichever is sooner.

40. Within 7 days of the Effective Date, Defendant 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 Defendant;**
- b. identify all businesses for which Defendant is the majority owner, or that Defendant 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.**

41. Defendant must report any change in the information required to be submitted under Paragraph 40 at least 30 days before the change or as soon as practicable after learning about the change, whichever is sooner.

42. Within 90 days of receiving notice of non-objection to the Compliance Plan, and again each year for 5 years after receiving notice of non-objection to the Compliance Plan, Defendant must submit to the Regional Director an accurate written compliance progress report sworn to under penalty of perjury by the Board (Compliance Report), which, at a minimum:

- a. lists each applicable paragraph and subparagraph of the Order and describes in detail the manner and form in which Defendant have complied with each such paragraph and subparagraph of this Order;**

- b. describes in detail the manner and form in which Defendant has complied with the Redress Plan and the Compliance Plan; and
- c. attaches a copy of each order acknowledgment obtained under Section XI (Order Distribution and Acknowledgment), unless previously submitted to the Bureau.

XI

Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that:

- 43. Within 7 days of the Effective Date, Defendant must submit to the Regional Director an acknowledgment of receipt of this Order, sworn under penalty of perjury.
- 44. Within 30 days of the Effective Date, Defendant must deliver a copy of this Order to each Board member and each of its executive officers, as well as to any managers, employees, customer-facing Service Providers, or other agents and representatives who have responsibilities related to the subject matter of the Order.
- 45. For 7 years from the Effective Date, Defendant must deliver a copy of this Order to (i) any business entity resulting from any change in structure referred to in Section X (Reporting Requirements), (ii) any future board members and executive officers, and (iii) any managers, employees, Service Providers, or other agents and representatives who will have responsibilities related to the subject matter of the Order before they assume their responsibilities.
- 46. Defendant must secure a signed and dated statement acknowledging receipt of a copy of this Order, ensuring that any electronic signatures comply with the

requirements of the E-Sign Act, 15 U.S.C. §§ 7001-7006, within 45 days of delivery, from all persons receiving a copy of this Order under this Section.

47. Within 90 days of the Effective Date, Defendant must provide the Bureau with a list of all persons and their titles to whom this Order was delivered through that date under Paragraphs 43-44 and confirmation that all recipients have acknowledged receipt.

XII

Recordkeeping

IT IS FURTHER ORDERED that:

48. Defendant must create and maintain for at least 5 years from the Effective Date or 5 years after creation, whichever is longer, the following business records:

a. all documents and records necessary to demonstrate full compliance with each provision of this Order, including all submissions to the Bureau; and

b. all documents and records pertaining to the Redress Plan, described in Section VII (Order to Pay Redress);

49. Defendant must maintain for at least 7 years from the Effective Date or 7 years after creation, whichever is longer:

a. all documents identifying the results of the audits and monitoring required by Paragraph 15(c), and documents sufficient to show the work performed for the audits and other monitoring;

b. copies of all scripts, policies and procedures, training materials, advertisements, websites, and other marketing materials used in connection with

or otherwise related to debt Collection activities, including any such materials used by a third party on Defendant's behalf;

c. copies of all policies and procedures, training materials, and other instructional materials used in connection with or otherwise related to dispute resolution or the furnishing of information to CRAs;

d. all Covered Disputes, complaints, and requests for documents from Consumers (whether received directly or indirectly, such as through a third party); any responses to those disputes, complaints or requests; all account documents and information related to those disputes, complaints, and requests; and all documents and information used to resolve and respond to these disputes, complaints, and requests;

e. records showing, for each employee or agent providing services to Defendant related to debt Collection or furnishing, that person's: name; telephone number; email, physical, and postal address; job title or position; dates of service; and, if applicable, the reason for termination; and

f. records showing, for each Service Provider providing Consumer-facing services related to debt Collection or furnishing, the name of a point of contact, and that person's telephone number; email, physical, and postal address; job title or position; dates of service; and, if applicable, the reason for termination.

50. Defendant must make all documents and other materials referenced in Paragraphs 48-49 available to the Bureau upon the Bureau's request.

XIII

Notices

IT IS FURTHER ORDERED that:

51. Unless otherwise directed in writing by the Bureau, Defendant must provide all submissions, requests, communications, or other documents relating to this Order in writing, with subject line, "*CFPB v. Portfolio Recovery Associates, LLC*, Case No. [Docket #]," and send them by overnight courier or first-class mail to the below address and contemporaneously by email to Enforcement_Compliance@cfpb.gov:

Enforcement Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Regional Director, Southeast Region
Consumer Financial Protection Bureau
Peachtree Summit Building
401 W. Peachtree Street
Atlanta, GA 30308

XIV

Cooperation with the Bureau

IT IS FURTHER ORDERED that:

52. Defendant must cooperate fully to help the Bureau determine the identity and location of, and the amount of injury sustained by, each Redress Consumer. Defendant must provide such information in its or its agents' possession or control within 14 days of receiving a written request from the Bureau.

53. Defendant must cooperate fully with the Bureau in this matter and in any investigation or litigation related to or associated with the Lawsuit Subject Matter. Defendant must provide truthful and complete information, evidence, and testimony.

Defendant must cause its officers, employees, representatives, or agents to appear for interviews, discovery, hearings, trials, and any other proceedings that the Bureau may reasonably request upon 10 days written notice, or other reasonable notice, at such places and times as the Bureau may designate, without the service of compulsory process.

XV

Compliance Monitoring

IT IS FURTHER ORDERED that:

54. Within 14 days of receipt of a written request from the Bureau, Defendant must submit additional compliance reports or other requested information, which must be sworn under penalty of perjury; provide sworn testimony; or produce documents.

55. Defendant must permit Bureau representatives to interview any employee or other person affiliated with Defendant who has agreed to such an interview regarding: (a) the Lawsuit Subject Matter; or (b) compliance with this Order. The person interviewed may have counsel present.

56. Nothing in this Order will limit the Bureau's lawful use of compulsory process, under 12 C.F.R. § 1080.6.

XVI

Transfer or Assignment of Operations

57. Should Defendant seek to transfer or assign all or part of its operations that are subject to this Order, Defendant must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Order.

XVII

Release

58. The Bureau releases and discharges Defendant from any and all potential liability for claims arising out of the Lawsuit Subject Matter or the allegations of the Complaint, to the extent such conduct occurred before the Effective Date and the Bureau knows about it as of the Effective Date. The Bureau may use the practices described in the Complaint in future enforcement actions against Defendant 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 this Order, or to seek penalties for any violations of this Order.

XVIII

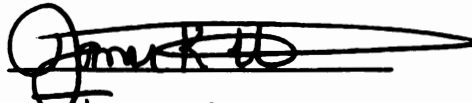
Retention of Jurisdiction

IT IS FURTHER ORDERED that:

59. The Court will retain jurisdiction of this matter for the purpose of enforcing this Order.

IT IS SO ORDERED.

DATED this 12th day of April, 2023.


Hon. Jamar K. Walker

United States District Judge


Consented and agreed to:

FOR PLAINTIFF THE CONSUMER FINANCIAL PROTECTION BUREAU

ERIC HALPERIN
Enforcement Director


DEBORAH MORRIS
Deputy Enforcement Director

MICHAEL FAVRETTO
Assistant Litigation Deputy


KARA K. MILLER (VA Bar No. 47821)
Assistant Litigation Deputy
JOANNA SHALLECK-KLEIN (CA Bar No. 275686)
Senior Litigation Counsel
RENÉE S. ORLEANS (MD Bar)
Senior Litigation Counsel
1700 G Street, NW
Washington, DC 20552
Email: kara.miller@cfpb.gov
Email: joanna.shalleck-klein@cfpb.gov
Email: renee.orleans@cfpb.gov
Tel.: (202) 435-7825 (Miller)
Tel.: (202) 435-9095 (Shalleck-Klein)
Tel.: (202) 435-7271 (Orleans)
Fax: (202) 435-7329

Attorneys for Plaintiff Consumer Financial Protection Bureau

FOR DEFENDANT PORTFOLIO RECOVERY ASSOCIATES, LLC


NOAM KUTLER (VA Bar No. 82316)
ERIC MOGILNICKI (DC Bar No. 443682)
Covington & Burling LLP
One CityCenter
850 Tenth Street, NW
Washington, DC 20001-4956
Email: nkutler@cov.com
Email: emogilnicki@cov.com
Tel.: (202) 662-5587 (Kutler)
Tel.: (202) 662-5584 (Mogilnicki)

Attorneys for Defendant Portfolio Recovery Associates, LLC

¹ Original signatures can be delivered to the Court upon request.