

# Debt Collectors Push Back: Trade Group Sues CFPB Over New Medical Debt Collection Rules

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On November 1, a debt collection trade group filed a complaint in federal court challenging an October 1 CFPB [advisory opinion](#) that warned debt collectors against seeking payment on unverified or potentially inflated medical bills (we previously discussed the advisory opinion [here](#)).

In its advisory opinion, the CFPB provided a “reminder” to medical debt collectors of their obligation to comply with the Fair Debt Collection Practices Act (FDCPA) in particular Section 808(1), which prohibits the collection of debts “unless such amount is expressly authorized by the agreement creating the debt or permitted by law,” and Section 807(2)(A), which prohibits any false representation of “the character, amount, or legal status of any debt.” The guidance further highlighted certain medical debt collection practices as deceptive or unfair, and cautioned collectors of medical debt to revise their collection practices, if necessary.

The trade group’s complaint alleges that the CFPB’s medical debt collection guidance:

- **Imposes Unlawful New Compliance Rules.** The trade group claims the advisory opinion created de facto new rules for debt collectors, without following necessary notice-and-comment rulemaking procedures, thus violating the Administrative Procedure Act (APA).
- **Exceeds CFPB’s Authority.** The complaint argues that the CFPB lacks authority over the medical services billing domain, with those responsibilities delegated to the U.S. Departments of Health and Human Services, Labor, and the Treasury instead.
- **Imposes Practical and Costly Burdens.** The trade group argues the guidance would compel debt collectors to audit medical bills for coding accuracy and legitimacy, which requires specialized medical and billing knowledge which they do not possess. This would make compliance costly and impractical and could also increase healthcare costs for consumers and reduce their access to medical services.
- **Is Politically Motivated and Rushed.** The trade group claims the advisory opinion was politically driven, and designed to gain support in the election cycle, particularly given its promotion by members of the current administration.

- Violates Funding and Procedural Standards. The complaint challenges the CFPB's funding structure as unconstitutional, relying on Federal Reserve earnings rather than congressional appropriations, an issue recently upheld by the Supreme Court but still contested (previously discussed [here](#)).

**Putting It Into Practice:** The trade group's lawsuit follows a recent uptick in challenges by trade associations against the CFPB's guidance and rulemaking (previously discussed [here](#) and [here](#)). Companies engaging in the collection of medical debts should closely monitor how this litigation plays out; the outcome may shape their compliance obligations.

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