

CFPB Obtains \$2 Million Settlement Against Credit Repair Companies

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On June 27, 2017, the CFPB [announced](#) it had filed complaints in the U.S. District Court for the Central District of California against credit repair companies Prime Credit, LLC, IMC Capital, LLC, Commercial Credit Consultants (d/b/a Accurise), Park View Law, Inc., and individuals who are principals of these companies, Blake Johnson, Eric Schlegel, and Arthur Barens. Simultaneously with the filing of the complaints, the CFPB also filed proposed stipulated final orders. The defendants have settled and agreed to pay over \$2 million in fines.

The CFPB alleged that the defendants violated the Dodd-Frank Act and the Telemarketing Sales Rule (“TSR”). Specifically, the CFPB alleged that the defendants:

- **Charged advance fees:** The CFPB alleged that the companies charged a variety of fees for their services before demonstrating that the promised results had been achieved. Charging such fees in advance is a violation of federal law. Specifically, according to the CFPB, the companies charged consumers fees for an initial reviews of a consumers’ credit reports and also allegedly charged set-up fees totaling hundreds of dollars and monthly fees that frequently totaled \$89.99 per month.
- **Placed undisclosed limits on “money-back guarantees”:** According to the complaint, the companies offered a money-back guarantee for certain services. However, they allegedly failed to disclose that the guarantee had limits, including that the consumer must pay for at least six months of the service to be eligible for the guarantee.
- **Misled consumers about the benefits of their services:** The companies allegedly misrepresented that their credit repair services would result in the removal of negative entries on consumers’ credit reports. The complaints further alleged that the companies represented to customers that their credit repair services would, or likely would, result in a substantial increase to consumers’ credit scores, but lacked a reasonable basis for making these claims.

If the court enters the proposed final judgments, Prime Credit, LLC, IMC Capital, LLC, Commercial Credit Consultants, Blake Johnson, and Eric Schlegel will pay a civil money penalty of \$1.53 million,

and Park View Law, Inc., and Arthur Barens will pay \$500,000 in relinquished funds to the U.S. Treasury. In addition, the defendants will be prohibited from doing business in the credit repair industry for five years.

In a statement, Messrs. Johnson and Schlegel, despite agreeing to the proposed judgments, denied wrongdoing and stated that they had sought and followed advice from the California Department of Justice to ensure their activities complied with the law and with industry best practices. They also stated that they felt “blindsided” by the CFPB’s decision to pursue charges under the TSR, noting that the Credit Repair Organizations Act (“CROA”) is the statute which usually governs the activities of credit repair companies and has different billing requirements than the TSR. The CFPB, however, does not have authority to enforce CROA. Rather, the Federal Trade Commission and State Attorneys General or other State-designated agency or official have the authority to enforce the requirements of CROA. 15 U.S.C. § 1679h. In their statement, Messrs. Johnson and Schlegel urged Congress and the President to consider whether the Bureau’s approach to enforcement strikes an appropriate balance for ensuring consumer access to financial services. In a separate statement, Mr. Barens denied wrongdoing or the existence of a showing of consumer harm and characterized the CFPB’s case as built around a “technical argument.”

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