

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

ADMINISTRATIVE PROCEEDING
File No. 2023-CFPB-0018

In the Matter of:

**COMMONWEALTH FINANCIAL
SYSTEMS, INC.**

CONSENT ORDER

The Consumer Financial Protection Bureau (Bureau) has reviewed the Debt collection and furnishing activities of Commonwealth Financial Systems, Inc. (Respondent, as defined below) and has identified the following violations of law:

- (1) Respondent failed to establish and implement reasonable written policies and procedures regarding the accuracy and integrity of information it furnished to Consumer Reporting Agencies (CRAs) and failed to consider and incorporate the guidelines of Appendix E of Regulation V in developing such written policies and procedures, in violation of Sections 1022.42(a) and (b) of Regulation V, 12 C.F.R. § 1022.42(a) and (b); (2) Respondent failed to conduct reasonable investigations of direct and indirect disputes about information Respondent furnished to CRAs, in violation of Sections 623(a)(8)(E)(i) and 623(b)(1)(A) of the Fair Credit Reporting

Act (FCRA), 15 U.S.C. §§ 1681s-2(a)(8)(E)(i), (b)(1)(A), and Sections 1022.43(a) and (e)(1) of Regulation V, 12 C.F.R. §§ 1022.43(a), (e)(1); (3) Respondent furnished information to CRAs without notifying the CRA that the information was disputed, in violation of FCRA Section 623(a)(3), 15 U.S.C. § 1681s-2(a)(3); (4) Respondent failed to report the results of direct dispute investigations to consumers in violation of Section 623(a)(8)(E)(iii) of the FCRA, 15 U.S.C. § 1681s-2(a)(8)(E)(iii), and Section 1022.43(e)(3) of Regulation V, 12 C.F.R. § 1022.43(e)(3); (5) Respondent engaged in Debt Collection Activities after receiving a written dispute within 30 days of the consumer's receipt of a Debt validation notice but before obtaining verification of the Debt and mailing such verification to the consumer, in violation of Section 809(b) of the Fair Debt Collection Practices Act (FDCPA), 15 U.S.C. § 1692g(b); (6) Respondent made false or misleading representations about the validity or accuracy of Debts by representing to consumers that they owed alleged Debts and that Respondent had a reasonable basis for representing that they owed the alleged amounts, despite lacking a reasonable basis for such representations, in violation of Sections 807 and 807(10) of the FDCPA, 15 U.S.C. §§ 1692e and 1692e(10); (7) Respondent communicated credit information that it knew or should have known was false by communicating credit information about alleged consumer Debts to CRAs but failing to communicate that the Debts were disputed, in violation of Sections 807

and 807(8) of the FDCPA, 15 U.S.C. §§ 1692e and 1692e(8); and (8) Respondent, as a covered person engaging in violations of Federal consumer financial laws, violated § 1036(a)(1)(A) of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. § 5536(a)(1)(A). Under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order (Consent Order).

I.

Jurisdiction

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

II.

Stipulation

2. Respondent has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated December 5, 2023 (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the issuance of this Consent Order by the Bureau under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, without admitting or denying any of the findings of fact or conclusions of

law, except that Respondent admits the facts necessary to establish the Bureau's jurisdiction over Respondent and the subject matter of this action.

III.

Definitions

3. The following definitions apply to this Consent Order:
 - a. "Assisting Others" includes, but is not limited to:
 - i. consulting in any form whatsoever;
 - ii. providing paralegal or administrative support services;
 - iii. performing customer-service functions, including but not limited to receiving or responding to consumer complaints;
 - iv. formulating or providing, or arranging for the formulation or provision of any advertising or marketing material, including, but not limited to, any telephone sales script, direct mail solicitation, or the text of any Internet website, email, or other electronic communication or advertisement;
 - v. formulating or providing, or arranging for the formulation or provision of, any marketing support material or service, including, but not limited to, web or Internet Protocol addresses or domain name registration for any Internet websites, affiliate marketing services, or media placement services;

- vi. providing names of, or assisting in the generation of, potential customers;
 - vii. performing marketing, billing, or payment services of any kind; and
 - viii. acting or serving as an owner, officer, director, manager, or principal of any entity.
- b. “Consumer Reporting Activities” means all activities related to the furnishing of information about any consumer to one or more Consumer Reporting Agencies, either directly or indirectly.
- c. “Consumer Reporting Agency,” or “CRA,” is synonymous in meaning and equal in scope to the definition of the term, as of the Effective Date, in Section 603 of the FCRA, 15 U.S.C. § 1681a(f), and includes any person 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.

- d. “Debt” is synonymous in meaning and equal in scope to the definition of the term, as of the Effective Date, in Section 803(5) of the FDCPA, 15 U.S.C. § 1692a(5), and 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 which are the subject of the transaction are primarily for personal, family, or household purposes, whether or not such obligation has been reduced to judgment.
- e. “Debt Collection Activities” means all activities related to efforts to collect a Debt, either directly or indirectly.
- f. “Debt Collection Letter” means a written communication sent to a consumer that represents, expressly or by implication, that the consumer owes an unpaid balance in an amount indicated in the letter.
- g. “Effective Date” means the date on which the Consent Order is entered on the administrative docket.
- h. “Enforcement Director” means the Assistant Director of the Office of Enforcement for the Consumer Financial Protection Bureau, or their delegate.
- i. “Officers” means Respondent’s Chief Executive Officer or its equivalent; Chief Operations Officer or its equivalent; Chief Compliance Officer or its equivalent; Chief Financial Officer or its

equivalent; any other chief officer of Respondent; and any person with authority to control Respondent.

- j. “Related Consumer Action” means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against Respondent based on substantially the same facts as described in Section IV of this Consent Order.
- k. “Respondent” means Commonwealth Financial Systems, Inc. and its successors and assigns.

IV.

Bureau Findings and Conclusions

The Bureau finds the following:

- 4. Respondent is a corporation with its principal place of business in Dickson City, Pennsylvania. Respondent collects Debts, primarily past-due medical Debts, and furnishes information about consumers to CRAs. Between January 2017 and September 2022, Respondent’s clients placed approximately 126 million accounts with Respondent for collection.
- 5. Respondent furnishes consumer account information to CRAs. The consumer account information Respondent has collected and provided is used or expected to be used in connection with a decision regarding the

offering or provision of a consumer financial product or service, and furnishing this information is a service offered or provided for use by consumers primarily for personal, family, or household purposes, or is delivered, offered, or provided in connection with a consumer financial product or service. This activity is a consumer financial product or service under the CFPA. 12 U.S.C. § 5481(5), (15)(A)(ix).

6. Respondent is a “covered person” under the CFPA because it engages in offering or providing a consumer financial product or service, 12 U.S.C. § 5481(5), (6), 15(A)(ix).
7. Respondent regularly furnishes information relating to consumers to CRAs for inclusion in consumer reports. Therefore, it is a “furnisher” under Regulation V. 12 C.F.R. § 1022.41(c).
8. Respondent is a “person” under the FCRA. 15 U.S.C. § 1681a(b).
9. Respondent is a “debt collector” under the FDCPA because it regularly collects or attempts to collect, directly or indirectly, Debts owed or due or asserted to be owed to another or has used an instrumentality of interstate commerce or the mails in a business the principal purpose of which is collecting Debts. 15 U.S.C. § 1692a(6).

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

10. Since at least 2017, Respondent has furnished information about accounts to CRAs, including the nationwide CRAs Equifax, Experian, and TransUnion.
11. The FCRA provides that consumers can dispute information furnished to a CRA either by submitting a dispute to the CRA (indirect dispute) or directly to the furnisher (direct dispute).
12. Respondent receives indirect disputes from CRAs through the Online Solution for Complete and Accurate Reporting (E-OSCAR). E-OSCAR is a web-based system developed by the nationwide CRAs for processing indirect disputes.
13. When investigating disputes, Respondent typically does not have in its possession any documentation supporting the purported Debt and has insufficient data for investigating certain types of disputes. This occurs because Respondent typically does not obtain additional information when a dispute is filed to supplement the limited information Respondent receives when clients send accounts to Respondent for collection.
14. At the time of account placement, Respondent receives only certain data points from its clients regarding medical Debts. Respondent does not receive any images or documentation from its clients, such as documents the consumer may have submitted to a prior Debt collector before the account

was placed with Respondent, itemized bills from the medical facilities, insurance information, or prior dispute or complaint information.

15. Moreover, when investigating most disputes, Respondent relies on data points received from its clients at account placement that Respondent has not verified as accurate. At account placement, Respondent simply confirms that it has received from the client all of the data elements that it expects and checks that the data points provided facially appear to be valid and consistent based on formatting.
16. Respondent's indirect disputes procedures have been highly deficient. Since at least October 2016, Respondent's written indirect disputes procedures have instructed dispute-handling agents to perform a circular and cursory review of unspecified information and to match just one data point in Respondent's system to resolve the dispute or, for certain indirect disputes, to delete the tradeline without conducting any investigation at all.
17. Regardless of the nature or substance of the dispute, Respondent's indirect disputes procedures have directed its dispute-handling agents to resolve indirect disputes as follows: "Glance over information populated. Check to see that social security number matches. If social security number is completely different delete tradeline." These procedures have provided no other instructions, guidance, or other information about how to investigate

disputes, such as instructions on how to determine which disputes have merit and which do not.

18. The indirect disputes procedures have contained vague and general instructions to “Read all images,” “Read image to determine nature of dispute,” and “Choose the [E-OSCAR] response code that best fits the dispute,” along with a list of each potential E-OSCAR response code. The procedures provided no instructions on how to consider documentation provided by the consumer or how to determine which E-OSCAR response code is appropriate.
19. Simply “glancing over” the information provided in the dispute and matching the Social Security number provided in the dispute with the Social Security number in its system does not constitute a reasonable investigation of many types of disputes because it assumes that (1) the consumer’s Social Security number is relevant to resolving the consumer’s dispute, and (2) the Social Security number in Respondent’s system is accurate in the first instance in that it is the Social Security number of the consumer who actually owes the Debt, rather than the Social Security number of a different consumer who has been wrongly targeted for collection and furnishing. For many types of disputes, one or both of these assumptions may be incorrect.

20. For example, merely matching the Social Security number would be ineffective for disputes alleging identity theft, where the consumer has claimed that his or her correct identifying information was used illegally by someone else to obtain medical services. Where identity theft has occurred, the consumer's Social Security number would likely match the data in Respondent's system, but that data was itself inaccurate because it does not identify the actual consumer who obtained the medical services and therefore owes the alleged Debt. As such, this circular and cursory inquiry would not be responsive to the subject matter of such disputes (i.e., the specific allegations made by the consumer).
21. The instruction to check the consumer's Social Security number against data already in Respondent's system was also insufficient to conduct a reasonable investigation of other types of disputes, such as those relating to account balances, past settlements, or bankruptcy. Because these types of disputes do not relate to whether Respondent or its client has identified the correct consumer, simply verifying the consumer's Social Security number would obviously not be responsive to such disputes. For these types of disputes, Respondent's instruction to merely check the consumer's Social Security number is effectively an instruction to not perform any investigation at all.

22. Compounding the problem caused by its instruction to simply “glance over” the information and match the Social Security number, Respondent’s written procedures did not instruct dispute-handling agents to consider the consumer’s prior disputes, nor did they instruct them to review other potentially relevant information about the consumer’s Debt that Respondent may have already had in its possession from a prior interaction with the consumer.
23. Conducting an investigation that is responsive to the specific allegations in the dispute often requires the furnisher to at least review relevant information in its own possession about the Debt, such as, for example, prior correspondence with the consumer or information obtained in connection with past disputes on the Debt. However, Respondent’s written policies and procedures contained no such instruction.
24. To adequately address the consumer’s allegations in many types of disputes, a furnisher would need to investigate further. For example, the furnisher could try to confirm in some reliable manner the information in its files with the client that provided the information; this could involve requests to examine documents and other information relevant to the allegations that are not in the furnisher’s possession at the time of the dispute but to which the furnisher reasonably has access.

25. However, when Respondent received disputes with specific allegations for which the information in Respondent's files would not be sufficient to conduct a reasonable investigation, Respondent's written procedures did not detail the circumstances in which additional information or documents should be requested from the client or other third parties to confirm in some reliable manner information in Respondent's files or obtain additional information required to conduct a reasonable investigation of the dispute, such as account-level documentation. Nor did those written procedures detail how the dispute-handling agent should consider any such additional information or documents it could reasonably obtain.
26. For disputes where a validation notice was already sent, the procedures instructed the agent to obtain an itemized bill from the client. Respondent's indirect disputes procedures have instructed dispute-handling agents to forward the dispute to its Client Relations Department if (1) the indirect dispute contains documents submitted by the consumer, and (2) those documents reflect one of the following issues: the consumer was the victim of identity theft (with supporting police reports or affidavits), the account was previously paid, or the dispute relates to insurance or other benefits coverage.

27. However, Respondent's indirect disputes procedures contained no instruction to the Client Relations Department to request supporting documents or other supporting information from the client even for this limited set of disputes, much less any guidance on when that department should request such supporting documents or other information, which types of supporting documents or other supporting information it should request, and how to handle disputes where such documents or other information are contradicted by the consumer's allegations.
28. Until September 2018, Respondent's indirect disputes procedures have directed dispute-handling agents to request an itemized bill from Respondent's client and to delete the tradeline if the dispute was received during the 30-day period following the consumer's receipt of a Debt validation notice under Section 809(a) of the FDCPA, rather than instructing dispute-handling agents to investigate such disputes.
29. An itemized bill is simply a pdf or electronic printout of data in the client's possession reflecting the medical services provided, the dates of service, and the amounts charged. An itemized bill often reflects the same data that Respondent received from the client in the first instance.
30. Respondent's indirect disputes procedures lacked any instruction or other guidance on how to handle disputes where the itemized bill is contradicted

by the consumer's allegations, such as an allegation that the consumer or an insurance company made payments that are not reflected in the itemized bill, or an allegation that the consumer never obtained services from the medical provider indicated in the itemized bill (for example, due to identity theft).

31. Because the itemized bill typically reflects the same data that Respondent received from the client in the first instance, it is likely the same data that Respondent relied on in furnishing the information, and thus it reflects the very information that the consumer claims is erroneous. As a result, Respondent's complete reliance on an itemized bill is likely to be a circular inquiry for many disputes.
32. Simply deleting the tradeline if the indirect dispute was received during the 30-day period following the consumer's receipt of a Debt validation notice under Section 809 of the FDCPA, as Respondent's written indirect disputes procedures instructed agents to do, also does not constitute a reasonable investigation of disputes.
33. This instruction is particularly problematic for medical Debts, which are routinely recalled and re-placed with other debt collectors every 6 to 12 months, meaning that many accounts handled by Respondent are later passed along to another debt collector that may furnish the inaccurate information again. Had Respondent conducted a reasonable investigation

instead of just deleting the tradeline, it could have identified the root cause of the inaccuracy, which could decrease the likelihood that the inaccurate information would appear again on the consumer’s credit report.

34. Respondent’s written direct disputes procedures have also been highly deficient. For example, they have not required any investigation at all if the direct dispute was received before a Debt validation notice under Section 809(a) of the FDCPA was sent to the consumer.
35. For direct disputes received after a Debt validation notice was sent, Respondent’s written direct disputes procedures have nominally directed the dispute-handling agent to “conduct an investigation,” but have lacked any instruction on how to conduct an investigation, beyond requesting an itemized bill or “other source of media depending on client.”
36. The written direct disputes procedures do not specify what other source of media should be requested or what types of documents should be requested for Respondent’s various clients or types of clients. As described above, complete reliance on an itemized bill may result in a circular inquiry that does not address the substance of the consumer’s allegations.
37. Respondent’s written direct disputes procedures include a one-page document that lists twelve categories of disputes or complaints, and for each category, one to three lines of text identifying steps the dispute-handling

agent should take to address the dispute or complaint. For many disputes, the identified steps are likely not sufficient to conduct a reasonable investigation.

38. For example, for disputes alleging “This is not my debt,” the document requires only that the dispute-handling agent request an itemized bill from the client if a Debt validation letter has already been sent. There is no requirement that the dispute-handling agent attempt to determine whether the itemized bill may itself be erroneous because it reflects the wrong consumer.
39. Those procedures have also instructed dispute-handling agents to remove the tradeline if the direct dispute was received after a Debt validation notice was sent. As described above, simply deleting the tradeline is not a reasonable investigation of the dispute.
40. Respondent has also not established and implemented written policies and procedures containing internal controls regarding the accuracy and integrity of information about consumers furnished to CRAs. Respondent does not, for example, verify random samples of information provided to CRAs.
41. Respondent has not established and implemented any written policies and procedures requiring it to review its records to identify dispute handling practices that could compromise the accuracy or integrity of information

furnished to CRAs, such as a requirement to audit its dispute handling processes and practices.

42. Respondent has also failed to establish and implement any written policies and procedures requiring it to review records reflecting historic dispute trends, which would have been critical to its ability to identify, for instance, recurring disputes with the same root cause or clients with particularly high dispute rates.
43. Since at least January 2017, Respondent has received repeated feedback from CRAs regarding its furnishing and dispute handling practices, including with respect to the several categories:
 - a. Between January 2017 and January 2018, Experian notified Respondent at least six times that it failed to “Respond to Disputes in a Timely Manner and/or Conduct Verifications on ALL Disputes Received.” Within that same time period, Experian separately contacted Respondent regarding its failure to respond to disputes timely. This included multiple follow-up notifications requesting a response from Respondent after it failed to respond.
 - b. Between January 2017 and July 2021, both Experian and Equifax notified Respondent at least five times that it had an abnormally high deletion rate in response to indirect disputes. For example, in July 2017,

Experian sent an email to Respondent stating that “your file will be going to our committee due to the high amount of deleted disputes that we are receiving from you” and asking if there is “a reason that you are deleting the data instead of validating and responding that it is valid.” Experian warned Respondent that it “need[ed] to see an immediate improvement.” The CRAs continued to press Respondent on its high deletion rates again in 2018 and 2021.

- c. In 2019, TransUnion notified Respondent of a high rate of “modify” responses to indirect disputes, with no corresponding material modifications to the accounts.
- d. In July 2017, Experian notified Respondent that it “found a higher percentage of disputes than typical for the data you are reporting” and requested a phone conversation with Respondent. In March 2020, TransUnion sent Respondent a benchmarking report showing “a significant increase in your January dispute rate.”
- e. In September 2017, TransUnion informed Respondent that it had failed to include the date of birth and Social Security numbers associated with 15% of newly-opened accounts furnished in July 2017 under one of Respondent’s subscriber codes. In December 2018, Experian notified Respondent of fatal data errors in its reporting, including more than

50,946 accounts that could not be processed due to invalid, blank, or zero-filled personally identifiable information (Social Security number, name, date of birth, and address). These notifications may indicate a lack of accuracy and integrity in the data furnished and/or internal controls before furnishing.

f. In September 2017, TransUnion informed Respondent that a large number of the accounts that Respondent had reported on were stale (i.e., open accounts that the furnisher has not reported on for an extended period of time). In March 2018 and again in June 2019, Experian notified Respondent of large numbers of stale accounts. The presence of stale accounts in Respondent's reporting may indicate a lack of accuracy or integrity because the furnishing may not reflect the current status of the account.

44. Despite these repeated notifications of various problems and concerns over a five-year period, Respondent did not make any corresponding changes to its written policies and procedures relating to furnishing of information to CRAs that addressed those problems. Indeed, in some instances, Respondent failed to even acknowledge receipt of the notifications until the CRAs followed up.

45. Section 1022.42 of Regulation V, 12 C.F.R. § 1022.42, requires that a furnisher of consumer information to CRAs:
- a. “must establish and implement reasonable written policies and procedures regarding the accuracy and integrity of the information relating to consumers that it furnishes to a consumer reporting agency,” which “must be appropriate to the nature, size, complexity, and scope of each furnisher’s activities”; and
 - b. “must consider the guidelines in appendix E of [Regulation V] in developing its policies and procedures required by this section, and incorporate those guidelines that are appropriate.”
46. As described above, during the period beginning at least October 2016, Respondent has failed to establish and implement reasonable written policies and procedures regarding the accuracy and integrity of the information it furnished to CRAs that were appropriate to the nature, size, complexity, and scope of its activities.
47. Appendix E of Regulation V, 12 C.F.R. Part 1022, provides, in part:
- a. “[A] furnisher’s policies and procedures should be reasonably designed to promote [the objective of] … conduct[ing] reasonable investigations of consumer disputes and tak[ing] appropriate actions based on the outcome of such investigations.”

- b. "In developing its policies and procedures, a furnisher should address ... Establishing and implementing appropriate internal controls regarding the accuracy and integrity of information about consumers furnished to consumer reporting agencies, such as by implementing standard procedures and verifying random samples of information provided to consumer reporting agencies."
 - c. "In establishing and implementing its policies and procedures, a furnisher should ... [i]dentify practices or activities of the furnisher that can compromise the accuracy or integrity of information furnished to consumer reporting agencies, such as by ... [r]eviewing its historical records relating to accuracy or integrity or to disputes [and] [c]onsidering any feedback received from consumer reporting agencies, consumers, or other appropriate parties."
48. As described above, in developing its policies and procedures regarding the accuracy and integrity of the information it furnished to CRAs, Respondent failed to consider and incorporate, as appropriate, the guidelines set forth in Appendix E of Regulation V, including the guidelines listed in Paragraph 47.
49. Therefore, Respondent has violated Section 1022.42 of Regulation V, 12 C.F.R. § 1022.42.

Findings and Conclusions as to Respondent's Failure to Conduct Reasonable Investigation of Disputes

50. Section 623(a)(8)(E)(i) of the FCRA, 15 U.S.C. § 1681s-2(a)(8)(E)(i), and Sections 1022.43(a) and (e)(1) of Regulation V, 12 C.F.R. §§ 1022.43(a) & (e)(1), require furnishers to conduct reasonable investigations of direct disputes. Section 623(b)(1)(A) of the FCRA, 15 U.S.C. § 1681s-2(b)(1)(A), requires furnishers to conduct reasonable investigations of indirect disputes.
51. Respondent's dispute-handling agents used the policies and procedures described above to investigate direct and indirect disputes.
52. In addition, as described above, in various communications with Respondent, CRAs identified multiple recurring deficiencies in Respondent's handling of indirect disputes.
53. Respondent also did not have a sufficient number of dispute-handling agents to effectively handle the volume of disputes received. As a result, its dispute-handling agents often handled hundreds of disputes per day, spending mere seconds on average to resolve each dispute. For example, on one day in 2021, one of Respondent's dispute-handling agents responded to 1,052 disputes, spending less than 30 seconds per dispute on average.
54. Respondent was aware of these statistics. For example, internal company documents indicate that Respondent was aware that in 2018, five of its

dispute-handling agents were handling approximately 1,500 disputes per day, spending, on average, 1.6 minutes per dispute.

55. Respondent also tracked employee productivity in regular reports that showed that its dispute-handling agents were churning through disputes at an unrealistically fast pace.
56. In numerous instances, Respondent did not conduct a reasonable investigation of a direct or indirect consumer dispute.
57. Therefore, Respondent has violated Sections 623(a)(8)(E)(i) and (b)(1)(A) of the FCRA, 15 U.S.C. §§ 1681s-2(a)(8)(E)(i), (b)(1)(A), and Sections 1022.43(a) and (e)(1) of Regulation V, 12 C.F.R. §§ 1022.43(a), (e)(1).

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

58. Section 623(a)(8)(E)(iii) of the FCRA, 15 U.S.C. §1681s-2(a)(8)(E)(iii), and Section 1022.43(e)(3) of Regulation V, 12 C.F.R. § 1022.43(e)(3), require furnishers to complete their investigations of direct disputes and report the results of the investigation to the consumer generally within 30 days of receiving notice of the direct dispute.
59. For up to 28% of the direct disputes it received from January 2017 through September 2022, Respondent did not report the results of its direct dispute investigations to consumers.

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

Findings and Conclusions as to Respondent's Failure to Notify CRAs that Furnished Information was Disputed

61. Section 623(a)(3) of the FCRA, 15 U.S.C. § 1681s-2(a)(3), provides that, if the completeness or accuracy of any information furnished by any person to any CRA is disputed to such person by a consumer, the person may not furnish the information to any CRA without notice that such information is disputed by the consumer.
62. In at least 10,906 instances, after receiving a dispute from a consumer about information Respondent had furnished to a CRA, Respondent continued furnishing such information to a CRA without notifying the CRA that such information was disputed.
63. Therefore, Respondent has violated Section 623(a) of the FCRA, 15 U.S.C. § 1681s-2(a)(3).

Findings and Conclusions as to Respondent's Communication of Credit Information about Alleged Debts to CRAs Without Communicating that the Debts Were Disputed

64. Section 807 of the FDCPA, 15 U.S.C. § 1692e, prohibits debt collectors from using any false, deceptive, or misleading representation or means in connection with the collection of any Debt. Section 807(8), 15 U.S.C. §

1692e(8), prohibits communicating to any person credit information which is known or which should be known to be false, including the failure to communicate that a disputed Debt is disputed.

65. In thousands of instances, Respondent communicated consumer Debt information to a CRA after receiving a dispute from the consumer about the validity of the Debt, but without informing the CRA that the Debt was disputed.
66. Therefore, Respondent has violated Sections 807 and 807(8) of the FDCPA, 15 U.S.C. §§ 1692e, 1692e(8).

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

67. Section 809(b) of the FDCPA, 15 U.S.C. § 1692g(b), provides that when a debt collector receives written notice from the consumer that he or she disputes the validity of the Debt, or any portion thereof, within 30 days of the consumer receiving a Debt validation notice under Section 809(a) of the FDCPA, the Debt collector must cease collection of the Debt, or any disputed portion thereof, until the Debt collector obtains verification of the Debt or a copy of a judgment and mails it to the consumer.
68. In at least 61 instances, Respondent sent consumers a Debt Collection Letter after receiving a written dispute within 30 days of the consumer's receipt of

a Debt validation notice under Section 809(a) of the FDCPA but before obtaining verification of the Debt or a copy of a judgment and mailing it to the consumer.

69. Therefore, Respondent has violated Section 809(b) of the FDCPA, 15 U.S.C. § 1692g(b).

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

70. Section 807 of the FDCPA, 15 U.S.C. § 1692e, prohibits debt collectors from using false, deceptive, or misleading representations or means to collect Debts. Section 807(10) of the FDCPA, 15 U.S.C. § 1692e(10), prohibits the use of any false representation or deceptive means to collect or attempt to collect any Debt.
71. In Debt Collection Letters it sent to consumers, Respondent represented, directly or indirectly, expressly or by implication, that: (1) the consumer owed a Debt to Respondent's client, with an unpaid balance in an amount indicated in the letter; and (2) Respondent had a reasonable basis for representing that the consumer owed the purported Debt.
72. In at least 817 instances, Respondent sent such a Debt Collection Letter to a consumer after receiving a written or oral dispute from the consumer about the validity or accuracy of the purported Debt, but without having obtained substantiation for the Debt after receiving the dispute sufficient to provide a

reasonable basis for asserting that the consumer owed the purported Debt at the time that Respondent sent the letter.

73. Furthermore, between January 1, 2017 and September 26, 2022, Respondent sent Debt Collection Letters or made collection calls on thousands of accounts after receiving a direct or indirect furnishing dispute, but without having obtained substantiation for the Debt after receiving the dispute sufficient to provide a reasonable basis for asserting that the consumer owed the purported Debt at the time that Respondent sent the letter or made the collection call.
74. Respondent's continued Debt Collection Activity on the directly disputed accounts while such disputes were pending reflect Respondent's mail dispute procedures, which indicate that employees can still "work accounts" when a dispute is received beyond the 30 days of the consumer's receipt of a Debt validation notice.
75. In the instances described in paragraphs 72 and 73 above, when Respondent received a dispute about the validity or accuracy of the purported Debt, it knew or had reason to believe that the purported Debt might be invalid or inaccurate.
76. The representation in Respondent's Debt Collection Letters and phone calls that the consumer owed a Debt with an unpaid balance in the amount

indicated was misleading because, having failed to obtain sufficient substantiation of the purported Debt at the time it made such communications and after receiving the dispute, Respondent did not have a reasonable basis for that representation. The implied representation in these communications that Respondent had a reasonable basis to assert that the consumer owed the purported Debt was false because Respondent had no such reasonable basis.

77. These representations were likely to mislead the consumers who received them into believing that, at the time Respondent made the communications, Respondent had already obtained documentation or information after receiving the dispute sufficient to substantiate the purported Debts and that the asserted balance due reflected an amount for which Respondent had sufficient substantiation, such that Respondent had a reasonable basis for asserting that the consumer owed the purported Debts.
78. Therefore, Respondent has violated Sections 807 and 807(10) of the FDCPA, 15 U.S.C. §§ 1692e and 1692e(10).

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

79. Under the CFPA, it is “unlawful for . . . any covered person or service provider . . . to offer or provide to a consumer any financial product or service not in conformity with Federal consumer financial law, or otherwise

commit any act or omission in violation of a Federal consumer financial law.” 12 U.S.C. §§ 5536(a)(1)(A), 5481(14).

80. The CFPA defines “Federal consumer financial law” to include most provisions of the FCRA and its implementing regulation, Regulation V, including those cited above, and the FDCPA. 12 U.S.C. § 5481(12)(F) & (H), (14).
81. By violating the FCRA, Regulation V, and the FDCPA, as described above, Respondent committed acts or omissions in violation of Federal consumer financial laws. Accordingly, Respondent violated § 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(A).

V.

Conduct Provisions

Permanent Ban on Debt Collection and Consumer Reporting Activities

82. Beginning 60 days after the Effective Date, Respondent, whether acting directly or indirectly, is permanently restrained from:
 - a. Participating in or Assisting Others in Debt Collection Activities;
 - b. Participating in or Assisting Others in advertising, marketing, promoting, offering for sale, selling, or buying any Debt or any information regarding a consumer relating to a Debt; and

- c. Receiving any remuneration or other consideration from, holding any ownership interest in, providing services to, or working in any capacity for any person engaged in or Assisting Others in Debt Collection Activities;

Provided, however, that during the 90-day period starting on the Effective Date, Respondent may accept and process payments submitted by consumers on Debts. Other than as set forth in this Paragraph, nothing in this Consent Order shall be read as an exception to this Paragraph.

- 83. Within 60 days of the Effective Date, Respondent must submit to all CRAs to whom it previously furnished information about any consumer a request to delete all collection accounts for such consumers.
- 84. Beginning 60 days after the Effective Date, Respondent, whether acting directly or indirectly, is permanently restrained from:
 - a. Participating in or Assisting Others in Consumer Reporting Activities; and
 - b. Receiving any remuneration or other consideration from, holding any ownership interest in, providing services to, or working in any capacity for any person engaged in or Assisting Others in Consumer Reporting Activities.

Prohibited Conduct

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

85. Respondent and its Officers, agents, servants, employees, and attorneys, and all other persons in active concert or participation with them who receive actual notice of this Consent Order, whether acting directly or indirectly, may not violate Sections 623(a)(3), (a)(8)(E)(i), (iii), and (b)(1) of the FCRA, 15 U.S.C. §§ 1681s-2(a)(3), (a)(8)(E)(i), (iii), and (b)(1); Sections 1022.42(a) and (b), 1022.43(a), (e)(1), and (e)(3) of Regulation V, 12 C.F.R. §§ 1022.42(a) and (b), 1043.43(a), (e)(1), and (e)(3); and Sections 807, 807(8), 807(10), and 809(b) of the FDCPA, 15 U.S.C. §§ 1692e, 1692e(8), (10), 1692g(b) and are prohibited from:
- a. Making any representation, expressly or impliedly, that a consumer owes a Debt or as to the amount of a Debt owed or allegedly owed, unless, at the time of making the representation, Respondent can substantiate the representation.

VI.

Customer Information

IT IS FURTHER ORDERED that:

86. Respondent, and its Officers, agents, servants, employees, and attorneys, and all other persons in active concert or participation with them who receive

actual notice of this Consent Order, whether acting directly or indirectly, may not disclose, use, or benefit from customer information, including the name, address, telephone number, email address, Social Security number, other identifying information, or any data that enables access to a customer's account (including a credit card, bank account, or other financial account), that Respondent obtained before the Effective Date in connection with Debt Collection Activities; or attempt to collect, sell, assign, or otherwise transfer any right to collect payment from any consumer.

However, customer information may be disclosed if requested by a government agency or required by law, regulation, or court order.

VII.

Role of the Officers

IT IS FURTHER ORDERED that:

87. Respondent's Officers have the ultimate responsibility for ensuring that Respondent complies with this Consent Order.
88. Respondent's Officers must review all plans and reports required by this Consent Order, and any submissions to the Bureau prior to such submission.
89. One year after the Effective Date, Respondent must submit to the Enforcement Director an accurate written compliance progress report

(Compliance Report) that has been approved by the Officers, the accuracy of which is sworn to under penalty of perjury, and which, at a minimum:

- a. Describes the steps that Respondent's Officers have taken to reasonably assess whether Respondent is complying with each applicable paragraph and subparagraph of the Order;
- b. Describes in detail whether and how Respondent has complied with each applicable paragraph and subparagraph of the Order, including the manner of verification of such compliance and any corrective actions taken to remedy potential non-compliance with the applicable requirement, paragraph, or subparagraph; and
- c. attaches a copy of each Order Acknowledgment obtained under Section XII, unless previously submitted to the Bureau.

90. Respondent's Officers must:

- a. Authorize whatever actions are necessary for Respondent to assess whether Respondent is complying with each applicable paragraph and subparagraph of the Order;
- b. Authorize whatever actions, including corrective actions, are necessary for Respondent to fully comply with each applicable paragraph and subparagraph of the Order; and

- c. Require timely reporting by management to Respondent's Officers on the status of compliance obligations.

MONETARY PROVISIONS

VIII.

Order to Pay Civil Money Penalty

IT IS FURTHER ORDERED that:

91. Under § 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law described in Section IV of this Consent Order, and taking into account Respondent's sworn and documented inability to pay as set forth below, Respondent must pay a civil money penalty of \$95,000 to the Bureau.
92. Within 10 days of the Effective Date, Respondent must pay the civil money penalty by wire transfer to the Bureau or to the Bureau's agent in compliance with the Bureau's wiring instructions.
93. The civil money penalty paid under this Consent Order will be deposited in the Civil Penalty Fund of the Bureau as required by § 1017(d) of the CFPA, 12 U.S.C. § 5497(d).
94. Respondent, for all purposes, must treat the civil money penalty paid under this Consent Order as a penalty paid to the government. Regardless of how the Bureau ultimately uses those funds, Respondent may not:

- a. Claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any civil money penalty paid under this Consent Order; or
 - b. Seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made under any insurance policy, with regard to any civil money penalty paid under this Consent Order.
95. To preserve the deterrent effect of the civil money penalty in any Related Consumer Action, Respondent may not argue that Respondent is entitled to, nor may Respondent benefit by, any offset or reduction of any compensatory monetary remedies imposed in the Related Consumer Action because of the civil money penalty paid in this action or because of any payment that the Bureau makes from the Civil Penalty Fund. If the court in any Related Consumer Action offsets or otherwise reduces the amount of compensatory monetary remedies imposed against Respondent based on the civil money penalty paid in this action or based on any payment that the Bureau makes from the Civil Penalty Fund, Respondent must, within 30 days after entry of a final order granting such offset or reduction, notify the Bureau, and pay the amount of the offset or reduction to the U.S. Treasury. Such a payment will not be considered an additional civil money penalty and will not change the amount of the civil money penalty imposed in this action.

IX.

Effect of Misrepresentation or Omission Regarding Financial Condition

IT IS FURTHER ORDERED that:

96. The Bureau's agreement to issue this Consent Order and the civil money penalty imposed in Section VIII is expressly premised on the truthfulness, accuracy, and completeness of Respondent's sworn financial statements and supporting documents submitted to the Bureau on or about October 12, 2021, October 25, 2022, December 2, 2022, April 27, 2023, May 19, 2023, July 24, 2023, August 2, 2023, and November 8, 2023, which Respondent asserts are truthful, accurate, and complete, and which include:
- a. Respondent's audited financial statements for the years ending 2017, 2018, 2019, and 2020, submitted to the Bureau on or about October 12, 2021;
 - b. Respondent's audited financial statements for the years ending 2020 and 2021, submitted to the Bureau on or about October 25, 2022;
 - c. Respondent's audited financial statements for the period from January 1, 2022 through September 30, 2022, submitted to the Bureau on or about December 2, 2022;
 - d. Respondent's Financial Disclosure Form for Corporate Defendant, submitted to the Bureau on or about November 8, 2023;

- e. Respondent's tax returns for 2019, 2020, and 2021, submitted to the Bureau on or about May 19, 2023;
 - f. Respondent's audited financial statements for the year ending 2022 and Respondent's tax returns for 2022, submitted to the Bureau on or about July 24, 2023;
 - g. Respondent's unaudited financial statements for the period from January 1, 2023 through May 31, 2023, submitted to the Bureau on or about August 2, 2023; and
 - h. Respondent's request for waiver based on inability to pay, submitted to the Bureau on or about November 8, 2023.
97. If Respondent has failed to disclose any material asset or any of its financial statements contain any material misrepresentation or omission, including materially misstating the value of any asset, then, by reason of the violations of law described in Section IV of this Consent Order, and taking into account the factors in 12 U.S.C. § 5565(c)(3), Respondent will be required to pay an additional civil money penalty of \$1,905,000, which is the amount of the discount provided to account for Respondent's inability to pay a greater amount in determining the civil money penalty imposed in Section VIII. Upon determining that Respondent failed to disclose any material asset or that any of its financial statements contain any material misrepresentation

or omission, the Bureau may seek to enforce in any Federal district court for a district in which Respondent is located or resides or is doing business as immediately due and payable this order for an additional civil money penalty.

X.

Additional Monetary Provisions

IT IS FURTHER ORDERED that:

98. In the event of any default on Respondent's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.
99. Respondent must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Respondent.
100. Respondent acknowledges that its Taxpayer Identification Number (Social Security Number or Employer Identification Number), which Respondent previously submitted to the Bureau, may be used for collecting and reporting on any delinquent amount arising out of this Order, in accordance with 31 U.S.C. § 7701.

101. Within 30 days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Respondent must notify the Enforcement Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Respondent paid or is required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

COMPLIANCE PROVISIONS

XI.

Reporting Requirements

IT IS FURTHER ORDERED that:

102. Respondent must notify the Bureau of any development that may affect compliance obligations arising under this Consent Order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against Respondent; or a change in Respondent's name or address. Respondent must provide this notice, if practicable, at least 30 days

before the development, but in any case no later than 14 days after the development.

103. Within 7 days of the Effective Date, Respondent must:

- a. designate at least one telephone number and email, physical, and postal addresses as points of contact that the Bureau may use to communicate with Respondent;
- b. identify all businesses for which Respondent is the majority owner, or that Respondent directly or indirectly controls, by all of their names, telephone numbers, and physical, postal, email, and Internet addresses; and
- c. describe the activities of each such business, including the products and services offered, and the means of advertising, marketing, and sales.

104. Respondent must report any change in the information required to be submitted under Paragraph 103 at least 30 days before the change or as soon as practicable after the learning about the change, whichever is sooner.

XII.

Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that:

105. Within 7 days of the Effective Date, Respondent must submit to the Enforcement Director an acknowledgment of receipt of this Consent Order, sworn under penalty of perjury.
106. Within 30 days of the Effective Date, Respondent must deliver a copy of this Consent Order to each of its Officers and Shareholders, as well as to any managers, employees, service providers, or other agents and representatives who have responsibilities related to the subject matter of the Consent Order.
107. For 5 years from the Effective Date, Respondent must deliver a copy of this Consent Order to any business entity resulting from any change in structure referred to in Section XI, any future Officers, as well as to any managers, employees, service providers, or other agents and representatives who will have responsibilities related to the subject matter of the Consent Order before they assume their responsibilities.
108. Respondent must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, within 30 days of delivery, from all persons receiving a copy of this Consent Order under this Section.
109. Ninety days from the Effective Date, Respondent must submit to the Bureau a list of all persons and their titles to whom this Consent Order has been delivered under the Section of this Order titled “Order Distribution and

Acknowledgment” and a copy of all signed and dated statements acknowledging receipt of this Consent Order under Paragraph 108.

XIII.

Recordkeeping

IT IS FURTHER ORDERED that:

110. Respondent must create and retain the following business records:
 - a. all documents and records necessary to demonstrate full compliance with each provision of this Consent Order, and the FDCPA, FCRA, and Regulation V, including all submissions to the Bureau.
 - b. all consumer complaints and disputes (whether received directly or indirectly, such as through a third party), any responses to those complaints or disputes, and any documents relating to Respondent’s investigation of those complaints or disputes, including any documents obtained by Respondent to substantiate a disputed Debt.
111. All documents and records must be maintained in their original electronic format. Data should be centralized, and maintained in such a way that access, retrieval, auditing, and production are not hindered.
112. Respondent must make the documents identified in Paragraph 111 available to the Bureau upon the Bureau’s request.

XIV.

Notices

IT IS FURTHER ORDERED that:

113. Unless otherwise directed in writing by the Bureau, Respondent must provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, “*In re Commonwealth Financial Systems, Inc.*, File No. 2023-CFPB-0018,” and send them to the following email: Enforcement_Compliance@cfpb.gov addressed as follows:

ATTN: Enforcement Director
Consumer Financial Protection Bureau
Office of Enforcement

XV.

Cooperation with the Bureau

IT IS FURTHER ORDERED that:

114. Respondent must remain registered for the Bureau’s Company Portal and in connection with responding to consumer complaints and inquiries, whether acting directly or indirectly, must comply with the requirements that §§1034(b) and (c) of the CFPA, 12 U.S.C. §§ 5534(b) and (c), imposes on

covered persons subject to supervision and primary enforcement by the Bureau pursuant to section 1025 of the CFPA, 12 U.S.C. § 5515.

115. Unless otherwise prohibited by law or regulation, Respondent must identify on its website that consumers can file a complaint with the Bureau and provide the applicable telephone, website, and mailing information to do so.

XVI.

Compliance Monitoring

IT IS FURTHER ORDERED that:

116. Within 14 days of receipt of a written request from the Bureau, Respondent must submit additional Compliance Reports or other requested information, which must be made under penalty of perjury; provide sworn testimony; or produce documents.
117. Respondent must permit Bureau representatives to interview any employee or other person affiliated with Respondent who has agreed to such an interview regarding: (a) this matter; (b) anything related to or associated with the conduct described in Section IV; or (c) compliance with the Consent Order. The person interviewed may have counsel present.
118. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 C.F.R. § 1080.6 or other compulsory process.

XVII.

Modifications to Non-Material Requirements

IT IS FURTHER ORDERED that:

119. Respondent may seek a modification to non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Enforcement Director.
120. The Enforcement Director may, in their discretion, modify any non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) if they determine good cause justifies the modification. Any such modification by the Enforcement Director must be in writing.

XVIII.

ADMINISTRATIVE PROVISIONS

IT IS FURTHER ORDERED that:

121. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau from taking any other action against Respondent, except as described in Paragraph 122. Further, for the avoidance of doubt, the provisions of this Consent Order do not bar, estop, or otherwise prevent any other person or governmental agency from taking any action against Respondent.

122. The Bureau releases and discharges Respondent from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in Section IV of this Consent Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. The Bureau may use the practices described in this Consent Order in future enforcement actions against Respondent and its affiliates, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the Bureau to determine and ensure compliance with the Consent Order, or to seek penalties for any violations of the Consent Order.
123. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under § 1053 of the CFPA, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.
124. The Consent Order will remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau.
125. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.

126. Should Respondent seek to transfer or assign all or part of its operations that are subject to this Consent Order, Respondent must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.
127. The provisions of this Consent Order will be enforceable by the Bureau. For any violation of this Consent Order, the Bureau may impose the maximum amount of civil money penalties allowed under §1055(c) of the CFPA, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this Consent Order in federal district court, the Bureau may serve Respondent wherever Respondent may be found and Respondent may not contest that court's personal jurisdiction over Respondent.
128. This Consent Order and the accompanying Stipulation contain the complete agreement between the parties. The parties have made no promises, representations, or warranties other than what is contained in this Consent Order and the accompanying Stipulation. This Consent Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.
129. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing Respondent, its Officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED, this 14th day of December, 2023.

Rohit Chopra

Rohit Chopra
Director
Consumer Financial Protection Bureau