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Protection Bureau

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CFPB Files Suit Against Debt Collection Lawsuit Mill

Georgia Firm Relies on Deceptive Court Filings and Faulty Evidence to Churn Out Lawsuits

WASHINGTON, D.C. — Today, the Consumer Financial Protection Bureau (CFPB) filed a lawsuit in a federal district court against a Georgia-based firm, Frederick J. Hanna & Associates, and its three principal partners for operating a debt collection lawsuit mill that uses illegal tactics to intimidate consumers into paying debts they may not owe. The Bureau alleges that the Hanna firm churns out hundreds of thousands of lawsuits that frequently rely on deceptive court filings and faulty or unsubstantiated evidence. The CFPB is seeking compensation for victims, a civil fine, and an injunction against the company and its partners.

“The Hanna firm relies on deception and faulty evidence to drag consumers to court and collect millions,” said CFPB Director Richard Cordray. “We believe they are taking advantage of consumers’ lack of legal expertise to intimidate them into paying debts they may not even owe. Today we are taking action to put a stop to these illegal debt collection practices.”

The Hanna firm focuses exclusively on debt collection litigation, and its three principal partners, Frederick J. Hanna, Joseph Cooling, and Robert Winter, play an active role in the company’s business strategies and practices. The firm performs debt collection activities and typically files lawsuits if those efforts do not lead to collections.

The CFPB alleges that the firm operates like a factory, producing hundreds of thousands of debt collection lawsuits against consumers on behalf of its clients, which mainly include banks, debt buyers, and major credit card issuers. Between 2009 and 2013 the firm filed more than 350,000 debt collection lawsuits in Georgia alone. The CFPB further alleges the defendants collected millions of dollars each year through these lawsuits, often from consumers who may not actually have owed the debts.

The CFPB alleges that the defendants violated the Fair Debt Collection Practices Act (FDCPA). Among other things, the FDCPA prohibits making misrepresentations to consumers, and specifically prohibits misrepresenting to a consumer that a communication is from an attorney. The CFPB also alleges that the defendants violated the Dodd-Frank Wall Street Reform and Consumer Protection Act, which prohibits deceptive acts or practices in the consumer financial marketplace.

Violations alleged in the CFPB’s complaint include:

- **Intimidating consumers with deceptive court filings:** The firm files collection suits signed by attorneys when, in fact, the lawsuits are the result of automated processes and the work of non-attorney staff, without any meaningful involvement of attorneys. The resulting lawsuits misrepresent to consumers that



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they are “from attorneys.” This process allows the firm to generate and file hundreds of thousands of lawsuits. One attorney at the firm, for example, signed over 130,000 debt collection lawsuits over a two-year period.

- **Introducing faulty or unsubstantiated evidence:** The firm uses sworn statements from its clients attesting to details about consumer debts to support its lawsuits. The firm files these statements with the court even though in some cases the signers could not possibly know the details they are attesting to. In a substantial number of cases, when challenged, the firm dismissed lawsuits. Since 2009, the firm has dismissed over 40,000 suits in Georgia alone, and the CFPB believes it does so frequently because it cannot substantiate its allegations.

Through this lawsuit, the Bureau seeks to stop the alleged unlawful practices of the Hanna firm and its three principal partners. The Bureau has also requested that the court impose penalties on the company and its partners for their conduct and require that compensation be paid to consumers who have been harmed.

The full text of the complaint can be found at:

http://files.consumerfinance.gov/f/201407_cfpb_complaint_hanna.pdf

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.

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