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## CFPB Orders EZCORP to Pay \$10 Million for Illegal Debt Collection Tactics

### *Bureau Issues Industry-Wide Warning On Home, Workplace Debt Collection Risks*

WASHINGTON, D.C. — The Consumer Financial Protection Bureau (CFPB) today took action against EZCORP, Inc., a small-dollar lender, for illegal debt collection practices. These tactics included illegal visits to consumers at their homes and workplaces, empty threats of legal action, lying about consumers' rights, and exposing consumers to bank fees through unlawful electronic withdrawals. The Bureau ordered EZCORP to refund \$7.5 million to 93,000 consumers, pay \$3 million in penalties, and stop collection of remaining payday and installment loan debts owed by roughly 130,000 consumers. It also bars EZCORP from future in-person debt collection. In addition, the Bureau issued an industry-wide warning about collecting debt at homes or workplaces.

"People struggling to pay their bills should not also fear harassment, humiliation, or negative employment consequences because of debt collectors," said CFPB Director Richard Cordray. "Borrowers should be treated with common decency. This action and this bulletin are a reminder that we will not tolerate illegal debt collection practices."

Until recently, EZCORP, headquartered in Austin, Tex., and its related entities provided high-cost, short-term, unsecured loans, including payday and installment loans, in 15 states and from more than 500 storefronts. It did this under names including "EZMONEY Payday Loans," "EZ Loan Services," "EZ Payday Advance," and "EZPAWN Payday Loans." On July 29, 2015, after the Bureau launched its investigation, EZCORP announced that it would cease offering payday, installment, and auto-title loans in the United States.

The CFPB found that EZCORP collected debts from consumers through unlawful in-person collection visits at their homes or workplaces, risked exposing consumers' debts to third parties, falsely threatened consumers with litigation for non-payment of debts, and unfairly made multiple electronic withdrawal attempts from consumer accounts, causing mounting bank fees. The CFPB alleges that EZCORP violated the Electronic Fund Transfer Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act's prohibition against unfair and deceptive acts or practices. Specifically, the CFPB's investigation found that EZCORP:

- **Visited consumers' homes and workplaces to collect debt in an unlawful way:** Until at least October 2013, EZCORP made in-person collection visits that disclosed or risked disclosing consumers' debt to third parties, and caused or risked causing adverse employment consequences to consumers such as disciplinary actions or firing.
- **Illegally contacted third parties about consumers' debts and called consumers at their workplaces despite being told to stop:** Debt collectors

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called credit references, supervisors and landlords, and disclosed or risked disclosing debts to third parties, potentially jeopardizing consumers' jobs or reputations. It also ignored consumers' requests to stop calls to their workplaces.

- **Deceived consumers with threats of legal action:** In many instances, EZCORP threatened consumers with legal action. But in practice, EZCORP did not refer these accounts to any law firm or legal department and did not take legal action against consumers on those accounts.
- **Lied about not conducting credit checks on loan applicants:** From November 2011 to May 2012, EZCORP claimed in some advertisements it would not conduct a credit check on loan applicants. But EZCORP routinely ran credit checks on applicants targeted by those ads.
- **Required debt repayment by pre-authorized checking account withdrawals:** Until January 2013, EZCORP required many consumers to repay installment loans through electronic withdrawals from their bank accounts. By law, consumers' loans cannot be conditioned on pre-authorizing repayment through electronic fund transfers.
- **Exposed consumers to fees through electronic withdrawal attempts:** EZCORP would often make three simultaneous attempts to electronically withdraw money from a consumer's bank account for a loan payment: for 50 percent, 30 percent, and 20 percent of the total due. The company also often made withdrawals earlier than promised. As a result, tens of thousands of consumers incurred fees from their banks, making it even harder to climb out of debt when behind on payment.
- **Lied to consumers that they could not stop electronic withdrawals or collection calls or repay loans early:** EZCORP told consumers the only way to stop electronic withdrawals or collection calls was to make a payment or set up a payment plan. In fact, EZCORP's consumers could revoke their authorization for electronic withdrawals and demand that EZCORP's debt collectors stop calling. Also, EZCORP falsely told consumers in Colorado that they could not pay off a loan at any point during the loan term, or could not do so without penalty. Consumers could in fact repay the loan early, which would save them money.

## Enforcement Action

Under the Dodd-Frank Act, the CFPB is authorized to take action against institutions or individuals engaged in unfair, deceptive or abusive acts or practices, or that otherwise violate federal consumer financial laws. Under the consent order, EZCORP must:

- **Pay \$7.5 million to 93,000 consumers:** EZCORP is ordered to refund \$7.5 million to about 93,000 consumers who made payments after illegal in-person collection visits or who paid fees to EZCORP or their banks because of unauthorized or excessive electronic withdrawal attempts covered by this order.
- **Stop collection of its remaining payday and installment debt:** EZCORP must stop collection of an estimated tens of millions of dollars in defaulted payday and installment loans allegedly owed by about 130,000 consumers, and may not sell those debts to any third parties. It must also request that consumer reporting agencies amend, delete, or suppress any negative information related to those debts.
- **Stop illegal debt collection practices:** If EZCORP decides again to offer payday or installment loans, it cannot, among other practices, make in-person collection visits, call consumers at their workplace without specific written permission from the consumer, or attempt electronic withdrawals after a previous attempt failed because of insufficient funds without consumers' permission.

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[JUNE 2015](#) (17)  
[MAY 2015](#) (19)  
[APRIL 2015](#) (19)  
[MARCH 2015](#) (13)  
[FEBRUARY 2015](#) (14)  
[JANUARY 2015](#) (12)

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#### ► 2013

#### ► 2012

#### ► 2011

#### ► 2010

- **Pay a civil penalty of \$3 million:** EZCORP must pay a penalty of \$3 million to the CFPB's Civil Penalty Fund.

**The full text of the CFPB's consent order is available at:**

[http://files.consumerfinance.gov/f/201512\\_cfpb\\_ezcorp-inc-consent-order.pdf](http://files.consumerfinance.gov/f/201512_cfpb_ezcorp-inc-consent-order.pdf) 

## Warning Against Illegal Debt Collection Tactics

Today, the CFPB also issued a bulletin warning the financial services industry, and in particular lenders and debt collectors, about potentially unlawful conduct during in-person collections. Lenders and debt collectors risk engaging in unfair or deceptive acts and practices that violate the Dodd-Frank Act and the Fair Debt Collection Practices Act when going to consumers' homes and workplaces to collect debt.

The bulletin highlights that in-person collection visits may be harassment and may result in third parties, such as consumers' co-workers, supervisors, roommates, landlords, or neighbors, learning that the consumer has debts in collection. Revealing such information to third parties could harm the consumer's reputation and result in negative employment consequences. The bulletin also highlights that it is illegal for those subject to the law to engage in practices such as contacting consumers to collect on debt at times or places known to be inconvenient to the consumer, except in very limited circumstances.

**The bulletin offering guidance on debt collection practices can be found**

**here:** [http://files.consumerfinance.gov/f/201512\\_cfpb\\_compliance-bulletin-in-person-collection-of-consumer-debt.pdf](http://files.consumerfinance.gov/f/201512_cfpb_compliance-bulletin-in-person-collection-of-consumer-debt.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](http://consumerfinance.gov).*



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