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# Freedom Stores to provide over \$2.5 million in refunds and penalties

BY [HOLLY PETRAEUS](#)

Today we, along with the Attorneys General of Virginia and North Carolina, announced an enforcement action against a chain of stores doing business outside military bases across the United States. Under the terms of a proposed consent order, Freedom Stores, Inc., Freedom Acceptance Corporation, and Military Credit Services LLC, as well as their owners and chief executives will be required to provide over \$2.5 million in consumer redress and penalties for unfair and abusive debt-collection practices, including illegal lawsuits, unauthorized withdrawals from third-party accounts, and calls to servicemembers' commanding officers.

Our investigation found that the companies illegally filed thousands of lawsuits in Virginia against consumers who didn't live or purchase goods there: over 3,500 lawsuits in Norfolk, Virginia in two-plus years, almost all resulting in default judgments against consumers, some of whom didn't even know they'd been sued until they discovered their bank accounts had been garnished.

The companies also buried a clause in the fine print of their contracts that supposedly gave the companies permission to contact the servicemember's commanding officer. Freedom Acceptance and Military Credit Services then went on to tell servicemember's chain-of-command about the debts, effectively pressuring the servicemember into paying the companies. These are unfair practices against military personnel, who are afraid of losing rank, pay, or even a security clearance if their commanding officer feels they are not living up to their financial obligations. We've heard from a number of servicemembers that they even paid a debt they knew they didn't owe, just to avoid getting in trouble with their commander.

Like many companies dealing with servicemembers, Freedom Acceptance and Military Credit Services used the military allotment system as a quick and convenient way to get paid. But the companies also required customers to provide them with a back-up payment source in case the allotment didn't go through for some reason. And if the companies' allotment processor predicted that a servicemember's allotment might fail, they went ahead and charged the back-up account without waiting to see if the allotment went through or not. So those servicemembers, when their allotment payment did go through after all, ended up making double payments, without their advance knowledge or consent, leading to overdraft fees, insufficient funds charges and problems paying their other bills.

Additionally, the companies' debt collectors would sometimes simply take money from checking or credit accounts they had on file of family members or friends who had previously made a payment on the servicemembers' behalf. These debits were made without notifying the family member or friend or getting consent for the charges – simply taking the cash because the companies had the account access numbers on file from a previous transaction.

We get more complaints about debt collection from servicemembers, veterans and their families than any other issue. This case is a perfect illustration of bad practices that are perpetrated against military personnel who owe a debt.

Our military families deserve better than the treatment they received from Freedom, and I applaud the action taken today by both the CFPB and state authorities to call Freedom Stores and its affiliates and owners to account.

If you are a commanding officer who is receiving calls from someone trying to collect a debt, or a servicemember who is getting threatened or victimized about a debt, we'd like to hear from you. Your complaints can help us spotlight and stop illegal actions like the ones in this case.

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Otmane El Rhazi • 3 days ago

Otmane El Rhazi congratulates the Attorneys General of Virginia and North Carolina for their enforcement action against the chain stores announced hereby. The business structure being illegal the \$2.5 million fine is a must. The penalties for unfair and abusive debt couldn't have come at a better time as the consumers rotting in the debt this Christmas. Good work CFPB and keep protecting the vulnerable consumers from fraud.

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