cfpb Consumer Financial Protection Bureau

CFPB Orders Citibank to Provide Relief to Consumers for Illegal Debt Sales and Collection Practices

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Citibank Sold Credit Card Debt with Inflated Interest Rates; Debt Collectors for Citibank Altered Affidavits

WASHINGTON, D.C. – The Consumer Financial Protection Bureau today took two separate actions against Citibank for illegal debt sales and debt collection practices. In the first action, the CFPB ordered Citibank to provide nearly $5 million in consumer relief and pay a $3 million penalty for selling credit card debt with inflated interest rates and for failing to forward consumer payments promptly to debt buyers. The second action is against both Citibank and two debt collection law firms it used that falsified court documents filed in debt collection cases in New Jersey state courts. The CFPB ordered Citibank and the law firms to comply with a court order that Citibank refund $11 million to consumers and forgo collecting about $34 million from nearly 7,000 consumers.

"Citibank sent inaccurate information to buyers when it sold off credit card debt and it also used law firms that altered court documents," said CFPB Director Richard Cordray. "Today's action provides redress to consumers who were victimized by slipshod practices as part of our ongoing work to fight abuses in the debt collection market."

Citibank, N.A., is a national bank with headquarters in New York, N.Y., that issues consumer credit cards. From 2010 to 2013, Citibank sold portfolios of charged-off credit card accounts. It typically provided debt buyers with information about the consumer and the debt, including the supposed annual percentage rate (APR). A "charged-off" account is one the bank deems unlikely to be repaid, but may sell to a debt buyer, usually for a fraction of face value. The debt buyer then can try to collect on those accounts.

Illegal Debt Sales Practices

Citibank broke the law when, from February 2010 until June 2013, it provided inaccurate and inflated APR information for almost 130,000 credit card accounts it sold to debt buyers. These buyers then used the exaggerated APR in debt collection attempts. Citibank also failed to promptly forward to debt buyers approximately 14,000 customer payments totaling almost $1 million. The CFPB found that Citibank violated the Dodd-Frank Wall Street Reform and Consumer Financial Protection Act. Specifically, Citibank:

- **Overstated the annual percentage rate in accounts sold to debt buyers:** Between February 2010 and June 2013, Citibank overstated the APR for 128,809 accounts it sold to 16 different debt buyers. For some accounts, Citibank claimed the APR was 29 percent when it was actually 0 percent. Consumers paid about $4.89 million to debt buyers who used an APR inflated by more than 1 percent in collection efforts.

- **Delayed sending consumer payments to debt buyers:** From 2010 to 2013, Citibank delayed forwarding to debt buyers nearly 14,000 payments made by consumers, totaling almost $1 million. This delayed the updating of account balances and subjected consumers to collection efforts from debt buyers after they had already, in reality, paid off their account.

Enforcement action

Under the Dodd-Frank Act, the CFPB has the authority to take action against institutions or individuals engaged in unfair, deceptive, or abusive acts or practices. Under the CFPB's order addressing illegal debt sales practices, Citibank must:

- **Refund an estimated $4.89 million to roughly 2,100 consumers:** Citibank must refund all payments consumers made from Feb. 1, 2010 to Nov. 14, 2013 to debt buyers that referenced an inflated APR provided by Citibank in their collection efforts where the discrepancy was more than 1 percent.

- **Accurately document the debt it sells:** Citibank must provide certain account documents when it sells debt, such as the credit agreement and recent account statements.

- **Stop selling debt it cannot verify:** Citibank cannot sell debts if it cannot provide documentation, if the consumers notified Citibank of identity theft or unauthorized use, if consumers allege in writing that they do not owe the amount claimed, or if the account is within 150 days of the end of the statute of limitations.

- **Include certain protections in debt sales contracts:** Citibank must include provisions in its debt sales contracts prohibiting the debt buyer from reselling the debt.
- **Provide consumers with basic information about the debt:** When it sells a debt, Citibank must give consumers information about the debt, such as the name of the original creditor, the credit agreement, and recent account statements.
- **Pay civil money penalties:** Citibank must pay a $3 million penalty to the CFPB's Civil Penalty Fund.

The full text of the CFPB's consent order on debt sales is found at:
http://files.consumerfinance.gov/f/201602_cfpb_consent-order-citibank-na.pdf

Altered Affidavits

Separately, the CFPB is taking action today against Citibank, two of its affiliates – Department Stores National Bank and CitiFinancial Servicing, LLC – and two debt collection law firms for altering affidavits filed in debt collection lawsuits. Citibank retained Faloni & Associates, LLC, of Fairfield, N.J., and Solomon & Solomon, P.C., of Albany, N.Y. to collect credit card debt on its behalf in New Jersey state courts.

Citibank filed sworn statements attesting to the accuracy of the debt allegedly owed. Citibank then provided the affidavits to their attorneys to file with New Jersey courts. The two firms retained by Citibank altered the dates of the affidavits, the amount of the debt allegedly owed, or both, after the affidavits were executed. This violated the Fair Debt Collection Practices Act.

In May 2011, Citibank learned that one of its law firms had altered affidavits and stopped referring new credit card accounts to it. At Citibank's request, a New Jersey court dismissed actions pending as of Sept. 12, 2011 that Citibank identified as involving altered affidavits or incorrect information.

The CFPB's order requires Citibank to comply with the New Jersey state court order, in which Citibank had to refund $11 million collected from consumers and stop collection of an additional $34 million in debts, both of which Citibank has done. Solomon & Solomon, P.C., must pay a $65,000 penalty to the Bureau's Civil Penalty Fund. Faloni & Associates, LLC, must pay $15,000. Consistent with the Bureau's Responsible Business Conduct bulletin, the CFPB did not impose civil money penalties on Citibank for this violation, especially in light of its efforts to recompense harmed consumers.

The full text of the CFPB's consent order against Citibank, N.A., Department Stores National Bank, and CitiFinancial Servicing, LLC, related to the altered affidavits matters is available at: http://files.consumerfinance.gov/f/201602_cfpb_consent-order-citibank-na-department-stores-national-bank-and-citifinancial-servicing-llc.pdf

The full text of the CFPB's consent order against Faloni & Associates relating to the altered affidavits matters is available at: http://files.consumerfinance.gov/f/201602_cfpb_consent-order-faloni-and-associates-llc.pdf

The full text of the CFPB's consent order against Solomon & Solomon relating to the altered affidavits matters is available at: http://files.consumerfinance.gov/f/201602_cfpb_consent-order-solomon-and-solomon-pc.pdf

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