cfpb Consumer Financial Protection Bureau

CFPB Sues Freedom Debt Relief For Misleading Consumers About Its Debt-Settlement Services

Company Deceives Consumers About Its Negotiating Power, the Reach of Its Services, Its Fees, and Consumers' Rights to Their Own Funds

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WASHINGTON, D.C. — The Consumer Financial Protection Bureau (CFPB) today filed a lawsuit against Freedom Debt Relief, the nation's largest debt-settlement services provider, and its co-CEO Andrew Housser for deceiving consumers. The CFPB alleges that Freedom charges consumers without settling their debts as promised, makes customers negotiate their own settlements, misleads them about its fees and the reach of its services, and fails to inform them of their rights to funds they deposited with the company. The CFPB is seeking compensation for harmed consumers, civil penalties, and an injunction against Freedom and Housser to halt their unlawful conduct.

"Freedom took advantage of vulnerable consumers who turned to the company for help getting out of debt," said CFPB Director Richard Cordray. "Freedom deceived consumers about its clout with creditors that it knows do not negotiate with debt-settlement companies, made some customers negotiate on their own, and misled consumers about its fees and their accounts. Today's lawsuit seeks to stop the deception and get compensation for consumers Freedom cheated."

Freedom Debt Relief, part of Freedom Financial Network and based in San Mateo, California, is the largest debt-settlement services provider in the United States. Andrew Housser is the company's co-CEO and co-founder. Freedom claims that it has successfully negotiated and settled more than $7 billion in debts for more than 300,000 consumers. Through telemarketing contacts with prospective customers, Freedom learns who their creditors are, the amounts owed to each, and the nature of the debts. Freedom requires customers enrolled in its debt-settlement program to deposit money into dedicated accounts with an FDIC-insured bank. Freedom tells consumers that when the accounts have sufficient funds to make settlement offers, Freedom will negotiate with consumers' creditors to persuade them to accept less than the actual amounts owed. When a debt is settled, Freedom charges consumers fees that range between 18 percent and 25 percent of the amount of debt the consumer owed on the day they signed up for the program.

The agreement Freedom offers to consumers claims that, in general, all creditors will negotiate with Freedom. Yet Freedom knows that some creditors refuse to negotiate with debt-settlement companies. In these instances, Freedom sometimes "coaches" consumers instead of dealing with creditors directly. Freedom also tells consumers it will charge a fee only when it negotiates a debt settlement and consumers make a payment. But Freedom charges its full fee even when creditors simply stop collections without a settlement and when consumers negotiate settlements on their own. The company also fails to clearly disclose consumers' rights to their account funds when they withdraw from the program. These practices violate the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Telemarketing Sales Rule. According to the CFPB's complaint, Freedom:

- **Misleads consumers about creditors' willingness to negotiate**: Freedom markets its "negotiating power," but Freedom knows that certain major creditors have policies against negotiating with debt-settlement companies. Freedom does not make clear to consumers that they may need to handle the negotiations with those creditors themselves.
- **Deceives consumers about the extent of its services:** Freedom leads consumers to believe that the company's experienced negotiators will deal directly with their creditors. But after they enroll with Freedom and deposit funds into an account, some consumers learn that Freedom offers only guidance or "coaching" on how to negotiate settlements on their own.
- **Deceives consumers about its fees**: Freedom falsely claims that it charges consumers only when it negotiates a settlement of a debt and consumers make a payment under the terms of the settlement. In fact, Freedom charges consumers its full fee even when creditors simply stop collection efforts in the absence of a negotiated settlement and consumer payment and when it takes no action on a consumer's account.
- **Fails to disclose consumers' rights to funds**: Freedom does not clearly and conspicuously inform consumers that they are entitled to get back the funds in their accounts if they leave the debt-settlement program.

Andrew Housser co-founded and continues to exercise managerial responsibility for Freedom. Housser has the authority and responsibility to approve Freedom's policies and practices and to approve the content of the debt-resolution agreements that consumers sign with Freedom and on which his name and signature appear. Housser knows certain creditors will not negotiate with Freedom, but its debt-resolution agreements claim that all creditors are willing to work with the company. Housser also knows that Freedom charges consumers even if it doesn't negotiate settlements with creditors. Yet he allows its agreements to assure consumers they will be charged only if there's a settlement and consumers make a payment. The CFPB alleges that Housser has violated the Dodd-Frank Act and the Telemarketing Sales Rule.

Under the Dodd-Frank Act, the CFPB has the authority to take action against institutions and individuals violating consumer financial protection laws, including engaging in unfair, deceptive, or abusive acts or practices. The complaint against Freedom Debt Relief and Andrew Housser seeks monetary relief, injunctive relief, and civil money penalties. The CFPB's complaint is not a finding or ruling that the company or individual has actually violated the law.

The complaint is available here:
http://files.consumerfinance.gov/f/documents/cfpb_freedom-debt-relief-llc_complaint_112017.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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