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CFPB Imposes Fine on Medical Debt Collector; a Reminder of the Application of Consumer Financial Protection Laws to the Origination, Servicing and Collection of Medical Debt

By: [Michael Flynn](#)

On June 8, the CFPB announced that it has ordered a medical debt collector to pay a \$1.7 million fine and provide refunds for alleged violations of debt collection rules. This action stands as a reminder to those dealing with the origination, servicing and collection of medical debt that there are a myriad of consumer financial protection laws that apply to medical credit and debt, and that companies need to be sure that they are compliant with any requirements applicable to their activities.

In its consent order entered into with Phoenix Financial Services, the CFPB said that Phoenix, a medical debt collector, attempted to collect on disputed, unverified debts by means of thousands of misleading collection letters, and failed to properly investigate when consumers questioned the accuracy of its files on them. Without admitting or denying the CFPB's claims, Phoenix agreed to pay a \$1.68 million civil money penalty, provide refunds to debtors who were subject to the allegedly misleading collection letters, and rebuild its compliance practices. A copy of the consent order may be found [HERE](#).

This order indicates that the CFPB is actively addressing issues with consumer medical debt. In the announcement of this consent order, CFPB Director Chopra stated:

With medical debt looming over so many American families, we are taking action against companies seeking to illegally profit off patients. Given widespread inaccuracies in medical billing and credit reporting, the CFPB will be working to ensure that patients are not coerced into paying debts that they do not owe.

That topic has also garnered much attention and concern at the federal and state levels, and with consumer groups. One key issue has been limiting credit reporting of consumer medical debt – for instance, last year, the “big three” credit agencies adopted procedures that removed most consumer medical debt from reports. At the same time, the origination of medical debt may also be subject to federal and state consumer protection laws, such as the Truth in Lending Act and its implementing Regulation Z.

These developments serve as an excellent reminder to institutions dealing with the provision, servicing and collection of consumer medical debt must comply with a wide variety of federal and state consumer financial protection laws. This new consent order makes clear the CFPB's expectation that such companies

will maintain adequate compliance risk management programs, and will comply with these requirements. Buchalter is here to assist you to be compliant in this complex area.

Buchalter's Health Care Practice Group and its Consumer Financial Services Industry Group have attorneys who are experts in the fields of health care law and consumer financial protection laws, and the interplay between the two areas. Please reach out to any of the attorneys in the Health Care or Consumer Financial Services Groups to address any issues related to consumer medical credit and debt issues.



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