



July 8, 2015

MADIGAN ANNOUNCES JOINT \$136 MILLION SETTLEMENT WITH CHASE TO CHANGE ILLEGAL CREDIT CARD DEBT COLLECTION

Settlement with Madigan, Attorneys General & CFPB Prevents Future Resales by Debt Buyers, Targets "Zombie Debts" & Stops Collections on 528,000 Consumers

Chicago — Attorney General Lisa Madigan today announced a joint state-federal \$136 million settlement with Chase Bank USA N.A. and Chase Bankcard Services Inc. to reform its unlawful credit card debt collection practices.

The agreement with Madigan, 46 other states, the Attorney General of the District of Columbia and the Consumer Financial Protection Bureau (CFPB) follows an investigation into past debt collection practices by Chase.

The agreement requires Chase to significantly reform its credit card debt collection practices in areas of declarations, collections litigation, debt sales and debt buying. Debt buying involves the sale of debt by creditors or other debt owners, often for pennies on the dollar, to buyers who then attempt to collect the debt at full value or sell it to other buyers.

"This is another massive failure by Chase to comply with the law," Attorney General Madigan said. "Chase's shoddy practices disrupted the financial stability of nearly 50,000 people in Illinois struggling with their credit card debt in the wake of the economic crisis. This settlement puts a stop to Chase's illegal robo-signing practices in collecting debt and will completely reform the bank's debt collection and debt selling practices."

Among other reforms, the agreement requires new safeguards to help ensure debt information is accurate and inaccurate data is corrected, provides additional information to consumers who owe debts, and bars Chase's debt buyers from reselling consumer debts to other purchasers. Previously, initial buyers of Chase's consumer credit card debt could resell the debt, the subsequent buyer could flip the debt to another buyer, and the process could repeat itself many times over. If initial information about the debt was incorrect or was transmitted with errors to a subsequent debt buyer, that could result in long-term harm to the consumer and leave the consumer with the difficult or even impossible burden of successfully challenging or correcting errors.

The investigation into Chase uncovered numerous unlawful debt collection practices, including findings that Chase:

- Subjected consumers to collections activity for accounts that were not theirs, in amounts that were incorrect or uncollectable.
- Subjected consumers to inaccurate credit reporting and unlawful judgments that may affect consumers' ability to obtain credit, employment, housing and insurance in the future.
- Sold certain accounts to debt buyers that were inaccurate, settled, discharged in bankruptcy, not owed by the consumer, or otherwise uncollectable.
- Filed lawsuits and obtained judgments against consumers using false and deceptive affidavits and other documents that were prepared without following required procedures, a practice commonly referred to as "robo-signing." These practices misled consumers and courts and caused consumers to pay false or incorrect debt and incur legal expenses and court fees to defend against invalid or excessive claims.
- Made calculation errors when filing debt collection lawsuits that sometimes resulted in judgments against consumers for incorrect amounts.

Chase suspended its consumer credit card debt sales in 2013 and collections litigation in 2011. In 2012 Chase maintained approximately 64.5 million open accounts with \$124 billion in outstanding credit card debt. From 2009-2013, Chase recovered

approximately \$4.5 billion of debt from defaulted accounts through collection lawsuits, selling defaulted accounts to third-party debt buyers, or both.

Chase has agreed to cease all collection efforts on more than 528,000 consumers, including an estimated 48,000 in Illinois. Chase sued the affected consumers for credit card debts ranging between hundreds and thousands of dollars each and obtained judgments in about one-third of those cases between Jan. 1, 2009 and June 30, 2014. In those cases where Chase obtained a judgment, Chase will notify affected borrowers that Chase no longer will see to collect the amount and also that Chase will request all three major credit reporting agencies to not report the judgments. Where Chase filed a lawsuit but did not obtain a judgment, Chase will not re-file the lawsuit or try to collect on those accounts.

The agreement also ensures that Chase will fulfill \$50 million in consumer restitution through a separate [2013 consent order reached with the Office of the Comptroller of the Currency](#). Approximately 6,000 Illinois consumers would receive an estimated \$7.5 million in restitution. These restitution payments to consumers are intended to address cases where Chase erroneously collected more than the amount it legally was entitled to collect. This error affects about 9 percent of the judgments that Chase obtained.

If Chase's consumer restitution through the OCC action falls short of \$50 million by July 1, 2016, Chase must pay the remaining balance to state attorneys general and the CFPB.

Under the agreement, Chase will pay more than \$95 million to the participating states and the District of Columbia, an additional \$11 million to the executive committee states that conducted the investigation and settlement negotiations, and \$30 million to the CFPB. Illinois will award \$7.2 million in settlement funds to the Illinois Equal Justice Foundation to fund legal aid services for low income residents and the elderly, including providing consumer debt counseling and legal representation.

Joining Madigan and the CFPB in today's settlement were attorneys generals from Alaska, Alabama, Arkansas, Arizona, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, and Wisconsin.

Division Chief Deborah Hagan, Bureau Chief Elizabeth Blackston and Assistant Attorney General Paul Isaac handled the case for Madigan's Consumer Fraud Bureau.

-30-

[Return to July 2015 Press Releases](#)

