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**CHASE TO CHANGE UNLAWFUL CREDIT CARD DEBT COLLECTION PRACTICES
THROUGH \$136 MILLION JOINT FEDERAL-STATE SETTLEMENT**

*DEPARTMENT OF THE ATTORNEY GENERAL – DEPARTMENT OF
COMMERCE AND CONSUMER AFFAIRS – OFFICE OF CONSUMER PROTECTION
JOINT NEWS RELEASE*

HONOLULU – The State of Hawaii will receive almost \$1 million due to a joint federal-state settlement (the “Settlement”), which reforms the unlawful credit card debt collection practices of Chase Bank USA N.A. and Chase Bankcard Services Inc. (“Chase”).

The Settlement involves attorneys general in 47 states plus the District of Columbia and the Consumer Financial Protection Bureau (“CFPB”). The states not participating are California, Mississippi, and Wyoming. The Settlement will prevent future re-sales by debt buyers, target “zombie debts,” and halt collections on half a million individual consumer accounts.

Attorney General Chin said, “While Chase is entitled to collect lawfully on unpaid debts, its practices here were illegal and outrageous. Our laws forbid anyone from using false or incorrect amounts or robo-signing documents. This settlement holds Chase accountable for its past practices, provides restitution to harmed consumers, and we expect that it will ensure that this won’t happen again.”

“If a company says you owe them money, it better be right,” said **State Office of Consumer Protection Executive Director Stephen Levins**. “In this case, our investigation revealed that Chase lacked sufficient safeguards to prevent it and others from pursuing collection actions that it had no business initiating, such as, going after

the wrong person, demanding excessive payments, and pursuing discharged, time barred or very old debts."

Chase will pay \$136 million to the 47 participating states and \$30 million to the CFPB. **Hawaii's share of the payment from Chase is approximately \$920,000.** This payment will be used to fund or assist in funding consumer education, consumer outreach, consumer protection enforcement, and consumer protection litigation.

As part of the Settlement, **Chase has agreed to cease all collection efforts on an estimated 500,000 accounts nationwide, including 530 accounts in Hawaii.** Chase had sued the affected consumers for credit card debts and obtained judgments between Jan.1, 2009 and June 30, 2014. Chase will notify affected borrowers of the change and will request all three major credit reporting agencies to not report the judgments.

The Settlement 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 ("OCC"). **As of today, Chase has issued 30 checks totaling \$26,000 in restitution payments to Hawaii consumers.** If Chases' 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.

The Settlement requires Chase to 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. Among other reforms, the Settlement requires new safeguards to help ensure that debt information is accurate and that inaccurate data is corrected. It 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 several 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 impossible) burden of successfully challenging or correcting errors.

According to the joint state-federal probe, 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.

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