

**DEPARTMENT OF CONSUMER AFFAIRS
CITY OF NEW YORK**

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| DEPARTMENT OF CONSUMER AFFAIRS, | CONSENT ORDER |
| Complainant, | |
| -against- | Violation No.: 05333246 |
| I.C. SYSTEM, INC., | License Nos.: 0908324, 1266437, and 1266469 |
| Respondent. | |
| -----X | |

1. Respondent I.C. System, Inc. ("JCS" or "Respondent") has been licensed by the New York City Department of Consumer Affairs (the "Department") as a debt collection agency pursuant to Section 20-490 of the New York City Administrative Code ("Admin. Code") since 1994.
2. Respondent seeks renewal of its debt collection agency licenses, Nos. 0908324, 1266437, and 1266469.
3. The Department has reviewed Respondent's license renewal application, public records and records maintained by the Department, Respondent's 2013 Renewal Information and Documentation Form, and information provided to the Department by Respondent.
4. The Department's findings are annexed as Attachment A.
5. Respondent does not admit to these violations, but consents to a Consent Order with the Department to obtain a license and to avoid further investigation and litigation with regard to the specific violations identified in Attachment A for the period from April 24, 2010 to the date of this Consent Order.
6. John Erickson, as President of I.C. System, Inc., represents and warrants that he is authorized to enter into this Consent Order on behalf of Respondent.
7. This Consent Order shall apply to Respondent, its directors, officers, employees, representative agents, assignees, and successors. For the purposes of this

Consent Order, "employee" means any person employed for hire or permitted to work by Respondent including, but not limited to, any person who manages or oversees the work of another and any person whose earnings are based in whole or in part on commission for work performed for Respondent.

8. Respondent shall comply fully with all relevant laws and rules related to debt collection from New York City consumers including, but not limited to: (a) the Licensing Law and Rules, Admin. Code Sections 20-101 *et seq.* and Title 6 of the Rules of the City of New York ("6 R.C.N.Y." or "the Rules") Sections 1-01 *et seq.*; (b) the Debt Collection Agencies Licensing Law and Rules, Admin. Code Sections 20-488 *et seq.* and 6 R.C.N.Y. Sections 2-190 *et seq.*; and (c) the Consumer Protection Law and Rules, Admin. Code Sections 20-700 *et seq.* and 6 R.C.N.Y. Sections 5-76 *et seq.*

LICENSING

9. Respondent shall not act as a debt collection agency as defined in Section 20-489 of the Admin. Code at any time without holding a valid license from the Department.
10. Respondent shall provide complete and truthful responses in its license renewal application materials and all other documents submitted by Respondent to the Department.
11. Respondent shall ensure that process server individuals and agencies used in furtherance of its work as a debt collection agency licensed by the Department are licensed by the Department when required by subchapter 23 of the Admin. Code.
12. Upon the termination of Respondent's license by revocation, suspension, expiration, denial, surrender, cancellation, or operation of law Respondent shall immediately cease its debt collection activities with respect to New York City consumers and return its license(s) to the Department.

PAYDAY LOANS; USURIOUS LOANS

13. Respondent shall not purchase, collect, or attempt to collect debts from New York City consumers if those debts arise from usurious loans, including payday loans.
14. "Usurious loan" is a loan with an initial principal of less than \$250,000, for which the annual percentage rate of interest exceeds the rate specified by Section 14-a of the New York Banking Law, that is void under Section 5-511 of the New York General Obligations Law.
15. Respondent shall implement or maintain existing policies and procedures corresponding to paragraph 13 that include, but are not limited to, a screening

process for debts which are likely to be usurious payday loans, such as those for which the original creditor's name contains the terms "Payday," "Cash," "Check," "Instant," "Advance," "Fast," "Now," or "Quick."

16. With regard to any New York City consumer's debt that arises from a usurious loan, Respondent shall close the account, permanently terminate collection efforts with respect to the specific debt, and submit to any consumer reporting agency to which Respondent furnishes information, a request for deletion of any negative information from the consumer's credit report.

DISPUTED DEBT; CREDIT REPORTING

17. In addition to the requirements in Section 20-493.2 of the Admin Code and Sections 2-190 and 5-77(f) of 6 R.C.N.Y., Respondent shall engage in the following practices:
 - a. Whenever a New York City consumer questions, disputes, or challenges the information on which Respondent is relying to collect or attempt to collect a debt, Respondent shall either:
 - i. Close the account, permanently terminate collection efforts with respect to the specific debt, and request deletion of that item of information from the consumer's credit reporting file; or
 - ii. Report that item of information as disputed to any consumer reporting agency to which the information was previously reported and conduct a reasonable and truthful investigation into the accuracy or completeness of such information. If Respondent does not complete its reasonable investigation within thirty (30) days from receipt of the dispute, Respondent shall request deletion of that item from the consumer's credit reporting file and cease collection activities until the reasonable investigation is complete. If after the investigation the Respondent cannot substantiate that the consumer owes the debt, Respondent shall not sell the debt or provide it to any other entity for the purpose of collection.
 - b. With regard to any New York City consumer's debt that has been paid in full or settled pursuant to an oral or written agreement, Respondent shall close the account, permanently terminate collection efforts with respect to the specific debt, and submit to any consumer reporting agency to which Respondent furnishes information, a request for deletion of any negative information from the consumer's credit report.

COLLECTION OF DEBTS OWED TO DEBT BUYERS

18. Respondent shall not collect or attempt to collect a debt owed or asserted to be owed to any buyer of delinquent debt from a New York City consumer unless each agreement transferring ownership of the debt included terms in which the seller warranted and represented that the information about the debt and the documentation supporting the debt were accurate and complete. This shall not limit any other requirements under the Law or Rules regarding documentation that must be obtained, maintained or transferred with a debt.

POLICIES, PROCEDURES AND TRAINING

19. Within thirty (30) days of execution of this Consent Order, Respondent shall:
 - a. implement and disseminate policies and procedures, to officers and any agent or employee having responsibility with respect to the collection of consumer debts from New York City consumers, to ensure compliance with the terms of this Consent Order and the requirements of all New York City Laws and Rules, set forth in paragraph 8;
 - b. provide training, to officers and any agent or employee having responsibility with respect to the collection of consumer debts, on the requirements of this Consent Order and the requirements of all New York City Laws and Rules, set forth in paragraph 8;
 - c. provide periodic refresher training, to officers and any agent or employee having responsibility with respect to the collection of consumer debts, no less frequently than once each year and more frequently if any New York City Laws and Rules are amended;
 - d. provide periodic refresher training, to all new officers and any agent or employee, no later than five (5) days from the time the employee assumes responsibility with respect to the collection of debts;
 - e. take and document appropriate disciplinary action against any employee who fails to comply with this Consent Order and the requirements of all New York City Laws and Rules, set forth in paragraph 8.

COMPLIANCE MONITORING AND REPORTING

20. Respondent shall appoint [REDACTED], its General Counsel, to serve as the Compliance Officer responsible for ensuring adherence to the terms of this Consent Order. Such Compliance Officer has the following title: Chief General Counsel/Chief Compliance Officer/Vice President.
 - a. The telephone number of such Compliance Officer is: [REDACTED]

- b. The address of such Compliance Officer is: [REDACTED]
- c. The email address of such Compliance Officer is: [REDACTED]
21. If the identity of such Compliance Officer changes at any time, Respondent shall provide to the Department the name, title, telephone number, address, and email address of the replacing Compliance Officer within five (5) days of such change.
22. Within ten (10) days of receipt of written notice from the Department, Respondent shall produce the following, electronically or in the format indicated by the Department, which are true and accurate and sworn to under the penalty of perjury:
- a. Documents related to this Consent Order, including but not limited to:
- i. Copies of any complaints Respondent received regarding Respondent's attempts to collect debt purportedly owed by New York City consumers.
 - ii. Transcripts of the recordings required by Section 2-193(b)(2) of the Rules.
 - iii. Documents sufficient to identify the manner in which Respondent maintains its records.
23. Respondent shall respond to all subpoenas and document requests issued to it by the Department.
24. Nothing in this section shall be construed to obviate Respondent's responsibilities pursuant to Admin. Code Section 20-493(b); 6 R.C.N.Y. Sections 1-14, 1-16; and 2-193.
25. Respondent shall notify the Department of all pending actions, proceedings or investigations by government agencies against it within ten (10) days of being notified of such action, proceeding, or investigation.
26. Respondent shall make all possible efforts in good faith to resolve all consumer complaints filed with the Department within twenty (20) days of receipt of copies of those complaints, but in all instances, Respondent shall respond in writing to the Department regarding those consumer complaints within twenty (20) days of receipt of any complaints.
27. For the purposes of this Consent Order, Respondent shall, unless otherwise directed by the Department, send by first class mail, and contemporaneously by

email, all notifications required by this Consent Order to the Department to the following addresses:

First Class Mail to:

LEGAL DIVISION
NYC Department of Consumer Affairs
42 Broadway, 9th Floor
New York, NY 10004

Re: 2014 Consent Order

Email to: legaldebtcoll@dca.nyc.gov

28. For purposes of the compliance reporting and monitoring required by this Consent Order, the Department is authorized to communicate directly with the Respondent.

CONSEQUENCES OF BREACH OF CONSENT ORDER

29. A finding, after notice and hearing, that Respondent has committed a breach of the terms of this Consent Order shall constitute prima facie evidence of Respondent's lack of fitness to hold a license from the Department.
30. Upon a finding, after notice and hearing, that Respondent has committed violations of this Consent Order, the Licensing Law, the Debt Collection Agency Licensing Law, or the Consumer Protection Law, Respondent shall pay one thousand dollars (\$1,000) for each violation as well as the Department's costs for investigation and litigation.
31. Respondent's failure to produce any of the documents required by this Consent Order, the Admin. Code, or the Rules shall constitute prima facie evidence that Respondent has failed to maintain those records and is not in compliance with the underlying terms of the Consent Order, Law, or Rule for which documents are required to be maintained.
32. Specific breaches of this Consent Order shall, in addition to a breach of this Consent Order, constitute independent and separate violations of any applicable Law or Rule. If the same conduct gives rise to both a breach of this Consent Order and a breach of the Licensing Law or Rules, the Debt Collection Agency Law or Rules, or the Consumer Protection Law or Rules, Respondent shall pay two penalties as set forth in Paragraph 30: one penalty for breach of the Consent Order and one penalty for the breach of the applicable Law or Rule.

PENALTIES AND OTHER TERMS AND CONDITIONS

- 33. Respondent shall pay \$75,000 to the Department, due upon execution of this Consent Order. Payment shall be made by bank check, certified check, or money order in the full amount made payable to the New York City Department of Consumer Affairs, and delivered to the New York City Department of Consumer Affairs, Legal Division, Attn: 2014 Debt Collection Renewal, 42 Broadway, 9th Floor, New York, New York 10004.
- 34. This Consent Order shall constitute a final order pursuant to Section 6-42(c) of the Rules.

WAIVER OF APPEALS

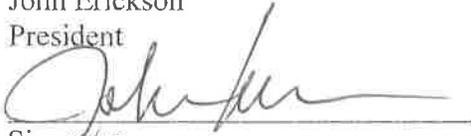
- 35. Respondent waives Respondent's right to a hearing on, appeal of and/or any challenge of, in any forum, the findings in Attachment A in connection with the above-referenced Violation Number(s) under Sections 20-104 and 20-105 of the Admin. Code or under Article 78 of the New York State Civil Practice Law and Rules.

MISCELLANEOUS

- 36. The acceptance of this Consent Order by the Department shall not be deemed approval by the Department of any of Respondent's business practices, and Respondent shall make no representation to the contrary.
- 37. The acceptance of this Consent Order resolves the findings made in this Consent Order in Attachment A. This Consent Order does not limit the Department's ability to bring charges for violations after the date of this Consent Order.
- 38. The acceptance of this Consent Order does not limit the Department's ability, nor Respondent's obligation to respond to consumer complaints that arose prior to the date of this Consent Order as set forth in the "Agreement Dated" field below.
- 39. Nothing in this Consent Order shall be construed to limit in any way the authority of the Department to exercise its enforcement powers under Chapter 1, Title 20 or under Chapter 2, Title 20 of the Admin. Code.

Agreed to for the Respondent by:

John Erickson
President


Signature

4-30-2014
Date

Accepted for the New York City Department of
Consumer Affairs, by:


Staff Attorney


Signature

5/8/2014
Date

Agreement Dated: 5/8/2014

Businesses licensed by the Department of Consumer Affairs (DCA) must comply with all relevant local, state and federal laws. Copies of New York City licensing and consumer protection laws are available in person at DCA's Licensing Center, located at 42 Broadway, 5th Floor, New York, NY, by calling 311, New York City's 24 hour Citizen Service Hotline, or by going online at www.nyc.gov/consumers.

ATTACHMENT A

The Department has reviewed Respondent's license renewal applications, public records, records maintained by the Department, Respondent's 2013 Renewal Information and Documentation Form and information provided to the Department by the Respondent. Based on this review, the Department makes the following findings:

- (1) Background – ICS Collected or Attempted to Collect on 495,388 accounts from 487,653 New York City Consumers in 2011 and 2012.
 - a. Question 17(A) of the 2013 Renewal Form asks: “In the past two years, did you collect or attempt to collect debts from any New York City consumers?” Question 17(B) of the 2013 Renewal Form asks: “[H]ow many accounts did you collect or attempt to collect from New York City consumers in 2011?” Question 17(C) of the 2013 Renewal Form asks: “[H]ow many accounts did you collect or attempt to collect from New York City consumers in 2012?”
 - b. ICS answered “Yes” to Question 17(A), answered “25,590” to Question 17(B), and answered “36,471” to Question 17(C).
 - c. By affidavit, dated June 21, 2013, John Erickson, President of ICS swore that in 2011 and 2012, ICS attempted to collect on 495,388 accounts from 487,653 New York City consumers .

- (2) ICS Made False Statements in Response to Question 5 of its 2013 Renewal License Application:
 - a. Question 5 of the 2013 Renewal License Application asks: “Since you originally applied for this license or last completed a renewal application. . . [i]s the licensee and/or any person now facing ANY pending *criminal* OR *civil* charge(s)?” (emphasis in original).
 - b. 6 RCNY § 1-01.1(a) provides: “No applicant for a license or a renewal thereof shall fail to provide complete and truthful responses to all the information requested on an application for such license or renewal thereof and any documents related thereto.”
 - c. 6 RCNY § 1-01.1(b) provides: “No applicant for a license or renewal thereof shall conceal any information, make a false statement or falsify or allow to be falsified any certificate, form, signed statement, application or report required to be filed with an application for a license that is to be issued by the department or for a renewal thereof.”
 - d. ICS answered “No” to Question 5 in its 2013 Renewal License Application. ICS's answers falsely indicated that it was not “facing ANY pending . . . *civil* charge[s]” at the time it submitted its 2013 Renewal License Application. In fact, there were at least two civil actions pending in federal court when ICS submitted its 2013 Renewal License Application on January 25, 2013. *See*

Smith v. I.C. System, Inc., No. 12-cv-682 (E.D. Mo.) (filed Apr. 13, 2012);
Sussman v. I.C. System, Inc., No. 12-cv-0181 (S.D.N.Y.) (filed Jan. 10, 2012).

- e. ICS violated 6 RCNY §1-01.1 by making false statements in its answers to Question 5 of its 2013 Renewal License Application.

(3) ICS Made False Statements in Response to Question 6(A) of the 2013 Renewal Form:

- a. Question 6(A) of the 2013 Renewal Form asks: “In the past five years, has any court or any administrative agency found you . . . to have violated any statute or regulation on the basis of conduct that was in any way related to the collection of debt?”
- b. 6 RCNY § 1-01.1(a) provides: “No applicant for a license or a renewal thereof shall fail to provide complete and truthful responses to all the information requested on an application for such license or renewal thereof and any documents related thereto.”
- c. 6 RCNY § 1-01.1(b) provides: “No applicant for a license or renewal thereof shall conceal any information, make a false statement or falsify or allow to be falsified any certificate, form, signed statement, application or report required to be filed with an application for a license that is to be issued by the department or for a renewal thereof.”
- d. ICS answered “No” to Question 6(A) of its 2013 Renewal Form. ICS’ answer falsely indicated that, in the past five years, no court “found [ICS] . . . to have violated any statute or regulation on the basis of conduct that was in any way related to the collection of debt.” In fact, there are at least five instances in the past five years in which federal courts found that ICS violated the Fair Debt Collection Practices Act (“FDCPA”), specifically: (1) *Massa v. I.C. Systems, Inc.*, No. 06-cv-207, 2008 WL 504329 (granting in part Plaintiff’s motion to reconsider summary judgment and finding that ICS violated the FDCPA); (2) *Baker v. I.C. System, Inc.*, No. HHB CV074015809, 2009 WL 1365002 (finding FDCPA violation and awarding statutory damages and attorney’s fees to plaintiff); (3) *Acik v. I.C. System, Inc.*, No. 07C 0881, 640 F.Supp.2d 1019, 1032 (N.D. Ill. 2009) (granting summary judgment to plaintiff as to two FDCPA violations); (4) *Ehrich v. I.C. System, Inc.*, No. CV-09-726, 681 F.Supp.2d 265, 273 (E.D.NY. Jan. 20, 2010) (denying ICS’s motion for summary judgment and finding that ICS violated the FDCPA); and (5) *Bishop v. I.C. System, Inc.*, No. 09-cv-00676, 713 F. Supp. 2d 1361, 1369 (M.D. Fla. 2010) (granting summary judgment on an FDCPA claim).
- e. ICS violated 6 RCNY §1-01.1 by falsely answering Question 6(A) of its 2013 Renewal Form.

(4) ICS Violated Requirements for Sending Written Confirmations of Debt Payment Schedules and Settlement Agreements.

- a. Question 23(A) of the 2013 Renewal Form asks: “In the past two years, did you agree to allow any New York City consumers to pay a debt according to a debt payment schedule?”
- b. Question 23(B) of the 2013 Renewal Form asks “[D]id you provide a written confirmation of the debt payment schedule to each New York City consumer that you authorized to make payments according to a debt payment schedule?”
- c. Question 23(C) of the 2013 Renewal Form states: “[A]ttach copies of three examples of written confirmations of debt payment schedules that you actually sent to New York City consumers before January 1, 2013.” ICS answered “Yes” to Questions 23(A) and (B) and states in the 2013 Renewal Form that it provided a written confirmation of the debt payment schedules to each New York City consumer that it authorized to make payments according to a debt payment schedule.
- d. As its response to Question 23(C), ICS attached three letters sent to New York City consumers dated December 1, 2012, December 15, 2012, and December 31, 2012. All three letters failed to identify the “date on which the debt payment schedule . . . was made.” The letter dated December 1, 2012 also failed to identify “the specific amount and due date of each payment” and “the conditions for satisfying the outstanding balance,” as the total “balance due” exceeded the total of the scheduled payments and the letter provided no indication that the agreement was a settlement for less than the total balance due.
- e. By email dated November 13, 2013, ICS stated that it sent 5,981 written confirmations of debt payment schedules and settlement agreements to New York City consumers in 2011 and 2012.
- f. ICS violated 6 RCNY § 2-192(a) by failing to identify the “the date on which the debt payment schedule . . . was made,” “the specific amount and due date of each payment” and “the conditions for satisfying the outstanding balance” in written confirmations of debt payment schedules it sent to New York City consumers.