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NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA

STATE OF NORTH CAROLINA
COUNTY OF WAKE

BEFORE THE COMMISSIONER
OF INSURANCE

IN THE MATTER OF
THE LICENSURE OF
SECURITY CREDIT SERVICES, LLC
CA# 108772

VOLUNTARY SETTLEMENT
AGREEMENT

NOW COME Security Credit Services, LLC, its officers, and the North Carolina Department of Insurance [hereinafter "Department"] and hereby enter into the following Voluntary Settlement Agreement [hereinafter "this Agreement"].

WHEREAS, the Department has the authority and responsibility for the enforcement of the provisions of Article 70 of Chapter 58 of the General Statutes of North Carolina applicable to collection agencies and the collection agency business; and

WHEREAS, Security Credit Services, LLC is a Mississippi limited liability corporation with its principal place of business located in 2623 West Oxford Loop, Oxford, Mississippi. Security Credit Services, LLC is a debt buyer as defined by N.C.G.S. § 58-70(a)(4) and holds a permit to operate as a collection agency in North Carolina issued pursuant to N.C.G.S. § 58-70-5. Security Credit Services, LLC places delinquent accounts with third party debt collectors for collection nationwide; and

WHEREAS, this Agreement does not constitute an admission by Security Credit Services, LLC of any fact, liability, wrongdoing or non-compliance with any state or federal law, rule or regulation. The acceptance of this Agreement by the Department is not acceptance or approval by the Department of any of Security Credit Services, LLC's business practices and Security Credit Services, LLC will not make any representation to that effect. This Agreement is made without any trial or adjudication of any issue of fact or law; and

WHEREAS, on March 13, 2013, the Federal Trade Commission commenced a civil action, Case No. 1:13cv799-CC, in the United States District Court for the Northern District of Georgia, Atlanta Division, for Permanent Injunction and Other Equitable Relief [hereinafter, "FTC Action" or "FTC Complaint"] against Security Credit Services, LLC and Jacob Law Group, PLLC [hereinafter, "JLG"]. JLG is a third party debt collector hired by Security Credit Services, LLC to collect on Security Credit Services, LLC's accounts. The FTC complaint alleged, in pertinent part, that certain business practices of Security Credit Services, LLC and

JLG violated provisions of the Federal Trade Commission Act (“FTC Act”) and Fair Debt Collection Practices Act (“FDCPA”), including the following alleged practices: (a) JLG’s charge and collection of an \$18.95 fee from consumers for each payment made to JLG on debts owed to Security Credit Services, LLC by check or credit or debit card over the telephone and (b) JLG representatives making of misleading statements to consumers which allegedly led consumers to believe that the \$18.95 fee was unavoidable even though consumers could in fact mail the payment or make the payment online without being charged a fee;

WHEREAS, JLG is a Mississippi collection law firm which is not licensed by the Department;

WHEREAS, on March 19, 2013, a Stipulated Final Judgment and Order for Permanent Injunction was entered against Security Credit Services, LLC and JLG in the FTC Action. [hereinafter, “Consent Judgment and Injunction.”] Pursuant to the Consent Judgment and Injunction, Security Credit Services, LLC and JLG did not admit nor deny the allegations in the FTC Complaint, but agreed to the entry of judgment against Security Credit Services, LLC and JLG, jointly and severally, in the amount of \$799,958.00, for the payment of equitable monetary relief, including, but not limited to, consumer redress and disgorgement. In accordance with the Consent Judgment and Injunction, Security Credit Services, LLC and JLG paid \$799,958.00 to the FTC on or before the fourteenth day following the entry of the Consent Judgment and Injunction. The Consent Judgment and Injunction also permanently restrained and enjoined Security Credit Services, LLC and JLG from making any misrepresentations when collecting a debt, including false claims that consumers must pay an extra fee when making payments on a debt and from failing to make truthful, clear, and prominent disclosures regarding fees charged for payments made by telephone and alternative fee free payment methods;

WHEREAS, N.C.G.S. § 58-70-115 provides, in pertinent part, that:

No collection agency shall collect or attempt to collect any debt by use of any unfair practices. Such practices include, but are not limited to, the following:
... *Collecting or attempting to collect from the consumer all or any part of the collection agency's fee or charge for services rendered*, collecting or attempting to collect any interest or other charge, fee or expense incidental to the principal debt unless legally entitled to such fee or charge.

N.C.G.S. § 58-70-115(2)(Emphasis added); and

WHEREAS, it is the Department’s position that N.C.G.S. § 58-70-115(2) prohibits collection agencies from assessing or collecting fees for processing payments, also known as “convenience fees” from consumers and that the fee which Security Credit Services, LLC and JLG charged to consumers making payments on accounts owned by Security Credit Services, LLC violated this statutory prohibition; and

WHEREAS, the term “consumer” is defined under N.C.G.S. § 58-70-90(2) as “an individual, aggregation of individuals, corporation, company, association, or partnership that has incurred a debt or alleged debt;” and

WHEREAS, N.C.G.S. § 58-70-130(c) provides that “The specific and general provisions of Part 3 of this Article shall constitute unfair or deceptive acts or practices proscribed herein or by N.C.G.S. § 75-1.1 in the area of commerce regulated thereby . . .;” and

WHEREAS, in July 2015, the Department informed Security Credit Services, LLC that it had learned of the above referenced FTCA Action which indicated that Security Credit Services, LLC has charged “convenience fees” to consumers, either directly or indirectly through third parties, and made a written request to Security Credit Services, LLC pursuant to N.C.G.S. § 58-70-25(a) and (b) to provide a list of all transactions that included separate fees that SCS or third parties collecting debts for Security Credit Services, LLC charged and collected from North Carolina residents from January 1, 2012 to present;

WHEREAS, in response to the Department’s request, Security Credit Services, LLC subsequently confirmed that it collected convenience fees from North Carolina residents through JLG and other third parties until March 8, 2013, when Security Credit Services, LLC and JLG “voluntarily halted any further direct or indirect collection of convenience fees in North Carolina.” Security Credit Services, LLC also produced a spreadsheet showing that from January 6, 2011 to February 28, 2013, Security Credit Services, LLC charged and collected a total of \$25,108.00 in “convenience fees” from North Carolina consumers through its third party debt collector, JLG;

WHEREAS, Security Credit Services, LLC represents to the Department that on or about March 8, 2013, Security Credit Services, LLC voluntarily revised its collection policies and procedures to prohibit the charging and collection of convenience fees to consumers nationwide and notified and instructed JLG and all third party debt collectors acting on Security Credit Services, LLC’s behalf not to charge and collect any convenience fees from consumers making payments on accounts owned by Security Credit Services, LLC;

WHEREAS, while denied by Security Credit Services, LLC, the Department alleges that Security Credit Services, LLC committed unfair practices in violation of N.C.G.S. § 58-70-115(2) by collecting convenience fees from North Carolina consumers; and

WHEREAS, based upon the information which Security Credit Services, LLC has provided to the Department regarding the convenience fees which it collected from North Carolina consumers and the above referenced representations which Security Credit Services, LLC has made to the Department regarding those fees, the Department agrees not to pursue other regulatory action against Security Credit Services, LLC for those prior alleged violations of N.C.G.S. § 58-70-115(2) in consideration of Security Credit Services, LLC’s agreement to the terms stated in this Agreement; and

WHEREAS, Security Credit Services, LLC agrees to permanently cease and desist collecting convenience fees or any other fees from North Carolina consumers (either directly or indirectly through third party debt collectors engaged by Security Credit Services, LLC) which are prohibited by N.C.G.S. § 58-70-115(2) or any other applicable laws; and

WHEREAS, Security Credit Services, LLC agrees to pay a civil penalty of twenty-five thousand one hundred and eight dollars (\$25,108.00) for its alleged violations of N.C.G.S. § 58-70-115(2); and

WHEREAS, pursuant to N.C.G.S. § 58-2-70(g), the Commissioner of Insurance and the Department have the express authority to negotiate “a mutually acceptable agreement with any person as to the status of the person’s license or certificate or as to any civil penalty or restitution”; and

WHEREAS, the Parties to this Agreement have reached a mutually agreeable resolution of this matter as set out in this Agreement.

NOW THEREFORE, in consideration of the promises and agreements set out herein, the Department, Security Credit Services, LLC and its officers hereby agree to the following:

1. Immediately upon signing this Agreement, Security Credit Services, LLC shall pay a civil penalty of twenty-five thousand one hundred and eight dollars (\$25,108.00) to the Department. The form of payment shall be via certified check, cashier’s check or money order. The check or money order for the payment shall be payable to the “North Carolina Department of Insurance.” Security Credit Services, LLC shall remit payment or confirmation of payment by certified mail, return receipt requested, to the Department along with a copy of this signed Agreement. The signed Agreement and penalty must be received by the Department no later than July 18, 2016. The civil penalty shall be subject to disbursement in accordance with the provisions of Article IX, Section 7 of the North Carolina Constitution for the benefit of public schools.
2. Security Credit Services, LLC shall permanently cease and desist from collecting any convenience fees or other fees from North Carolina consumers prohibited by N.C.G.S. § 58-70-115(2) or any other applicable laws, either directly or indirectly through third party debt collectors hired by Security Credit Services, LLC, and shall otherwise comply with all provisions of Article 70 of Chapter 58 of the General Statutes of North Carolina and Title 11 of the North Carolina Administrative Code that are applicable to Security Credit Services, LLC.
3. Other than requiring the payment of the civil penalty set forth in this Agreement, the Department will not take any adverse proceeding or action against Security Credit Services, LLC, its affiliates, officers, directors, employees or agents, with respect to the past convenience fee issues being resolved by this Agreement.
4. This Agreement shall be binding upon Security Credit Services, LLC, its officers, agents, subsidiaries and subdivisions, as well as its successors, assigns and/or purchasers of all or substantially all of Security Credit Services, LLC’s assets.
5. Except relating to the convenience fee issues being resolved by this Agreement, this Agreement does not in any way affect the Department’s disciplinary power in any future or follow-up examination of Security Credit Services, LLC, or in any

future cases or complaints involving Security Credit Services, LLC. In the event that Security Credit Services, LLC fails to comply with this Agreement or otherwise fails to comply with the laws and rules applicable to Security Credit Services, LLC, the Department may take any administrative or legal action it is authorized to take.

6. The Parties to this Agreement agree that this Agreement shall have the full force and effect of an Order of the Commissioner of Insurance. Security Credit Services, LLC understands that N.C.G.S. § 58-70-40(c)(6) provides that a collection agency's permit may be revoked if a partner or proprietor or officer of the collection agency has violated or refused to comply with an Order of the Commissioner.
7. Security Credit Services, LLC enters into this Agreement freely and voluntarily and with knowledge of its' right to have an administrative hearing on this matter. Security Credit Services, LLC has consulted with an attorney prior to entering into this Agreement.
8. This Agreement, when finalized will be a public record and will not be treated as confidential. Any and all permits issued by the Department to Security Credit Services, LLC shall reflect that Regulatory Action has been taken against those permits following the execution of this Agreement. The Department may disclose the contents of this Agreement to third parties upon request or pursuant to any law or policy providing for such disclosure.
9. This Agreement shall become effective when signed by the Parties.
10. By signing below, Security Credit Services, LLC agrees to comply with all of the terms of this Agreement.

North Carolina Department of Insurance

By:

[Redacted Signature]

Angela K. Ford
Senior Deputy Commissioner

Date:

July 7, 2016

SECURITY CREDIT SERVICES, LLC

By:

[Redacted Signature]

William A. Alias, Jr.
Chief Executive Officer

Date:

06/21/2016

