NOV 19 2014

CFPB Takes First Action Against 'Buy-Here, Pay-Here' Auto Dealer

WASHINGTON, D.C. — The Consumer Financial Protection Bureau (CFPB) today took its first action against a "buy-here, pay-here" car dealer. The dealer, DriveTime, harmed consumers by making harassing debt collection calls and providing inaccurate credit information to credit reporting agencies. DriveTime must pay $8,000,000 as a civil money penalty, end its unfair debt collection tactics, fix its credit reporting practices, and arrange for harmed consumers to obtain free credit reports.

"Consumers who purchase a car at a buy-here, pay-here dealer deserve to be treated fairly," said CFPB Director Richard Cordray. "DriveTime harassed and harmed countless consumers, many of whom were economically vulnerable. Our action today forces DriveTime to pay the price for its illegal debt collection tactics and for neglecting the accuracy of consumers' credit information."

Arizona-based DriveTime Automotive Group, Inc. and its finance company, DT Acceptance Corporation, make up the largest buy-here, pay-here car dealer in the nation. Buy-here, pay-here means that the dealer sells the car as well as originates and services the auto loan. Buy-here, pay-here dealers typically target subprime borrowers. DriveTime's average customer has an annual income of $37,000 to $50,000 and has a FICO score between 461 and 554. It operates 117 dealerships in 20 states and, as of December 31, 2013, held more than 150,000 outstanding auto installment contracts.

Generally, at least 45 percent of DriveTime's auto installment contracts were delinquent at a given time. When DriveTime consumers fell behind on their installment payments, DriveTime's extensive collections operation began calling them. DriveTime had at least 290 collection employees in two domestic call centers and 80 contractors in Barbados. These employees and contractors placed tens of thousands of collection calls each weekday. At the end of 2013, DriveTime had approximately 69,000 installment contracts past due that these employees would have been calling about.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) establishes that companies' practices can be unfair if consumers cannot reasonably avoid being harmed. The Bureau determined that several of DriveTime's debt collection practices were unfair to consumers. The CFPB found that DriveTime violated federal consumer financial laws and harmed consumers through illegal actions such as:

- **Harassing borrowers at work:** DriveTime collectors often called borrowers at work, and DriveTime management encouraged these calls. Several consumers requested that DriveTime not call them at work but DriveTime kept calling anyway. For example, one consumer was unfairly called 30 times at work after her do-not-call request.
- **Harassing borrowers' references:** DriveTime required consumers to provide the names and phone numbers of at least four references when they applied for financing. When consumers fell behind on their payments, DriveTime called these references. Many borrowers and references requested that DriveTime no longer

Receive press releases by email

Email address

SIGN UP

More Information On

Press Release Autos Enforcement

Consumer Financial Protection Bureau

Need our logo? You can find it here.

Photos and bios

Director Rich Cordray

Deputy Director Steven Antonakes

Press contacts

Jen Howard
Assistant Director of Communications
(202) 435-7170
Jennifer.Howard@cfpb.gov

Walter Suskind
Press Assistant
(202) 435-9469
Walter.Suskind@cfpb.gov

Moira Vahey
Spokesperson
(202) 435-9151
Moira.Vahey@cfpb.gov

Sam Gilford
Spokesperson

make these calls, but DriveTime did not stop. Some references complained that DriveTime collectors called them for months after they had requested that the company stop. The CFPB determined that this practice was unfair to consumers.

- **Making excessive, repeated calls to wrong numbers:** To reach consumers who fell behind, DriveTime frequently used third-party databases to find new phone numbers. These databases were often wrong. Upon receiving DriveTime's calls, numerous third parties told DriveTime they had the wrong number and requested that DriveTime stop calling them. Despite such requests, DriveTime continued to make these calls. In some cases, DriveTime called these wrong numbers for over a year before stopping.

- **Providing inaccurate repossession information to credit reporting agencies:** DriveTime furnishes consumer account information for approximately 350,000 accounts to all three major consumer reporting agencies. In a number of cases, DriveTime gave the agencies information that inaccurately reflected the timing of repossessions and dates of first delinquency. This made it appear on consumers' credit reports that consumers' vehicles had been repossessed more recently than the actual date of repossession. This information can have a negative effect on consumers' credit reports, which in turn can impact their ability to get credit, employment, or housing. The Fair Credit Reporting Act prohibits companies from furnishing inaccurate information when they know or have reasonable cause to believe the information is inaccurate.

- **Failing to properly handle credit information furnishing disputes:** DriveTime also mishandled consumers' complaints about the inaccurate information it had provided to the credit reporting agencies. In several instances, consumers disputed the same account information several times without the inaccurate information being corrected. In other cases, DriveTime informed the consumers in writing that the information had been corrected, when it had not been. This was a violation of the Fair Credit Reporting Act, which requires that companies properly investigate disputes.

- **Failing to implement reasonable procedures to ensure the accuracy of consumers' credit information:** DriveTime failed to establish and implement reasonable written policies and procedures regarding the accuracy and integrity of the information it furnished to credit reporting agencies. The policies and procedures it had in place were not appropriate to the nature, size, complexity, and scope of its furnishing activities. The Fair Credit Reporting Act requires that companies have policies and procedures in place to ensure the accuracy and integrity of consumers' credit information.

Enforcement Action

Pursuant to the Dodd-Frank Act, the CFPB has the authority to take action against institutions or individuals engaging in unfair, deceptive, or abusive acts or practices or that otherwise violate federal consumer financial laws. The CFPB's consent order requires DriveTime to:

- **End unfair calling practices:** DriveTime must not communicate with consumers at their workplaces if consumers have requested that DriveTime not call them there or if DriveTime otherwise knows that the consumers' employers prohibit communications to their workplaces. DriveTime must not call a particular phone number related to an account if any person has requested, orally or in writing, that DriveTime stop calling such number.

- **Disclose collection options to consumers:** DriveTime must provide a clear and conspicuous written notice to existing customers explaining how they can limit the times of day that DriveTime will call them. For all new customers,

(202) 435-7673
Samuel.Gilford@cfpb.gov

Stay connected

Twitter Facebook Flickr Youtube

Archive

▼ 2015
APRIL 2015 (2)
MARCH 2015 (13)
FEBRUARY 2015 (14)
JANUARY 2015 (12)

► 2014
► 2013
► 2012
► 2011
► 2010

DriveTime must provide this notice as part of a written welcome kit. DriveTime must also provide this notice on the welcome call and, if applicable, at the time of the first collection call on the account. DriveTime must accept customers' oral or written requests to limit calls.

- **Cease furnishing inaccurate repossession information:** DriveTime must stop furnishing information related to the repossession of a consumer's vehicle, unless the company has confirmed that the information is correct.
- **Correct credit reporting information:** If DriveTime furnished information to a credit reporting agency that was inaccurate for multiple accounts for similar reasons, the company must provide corrected information to the agency or request that the agency delete the wrong information from the consumer's file.
- **Provide credit reports to harmed consumers:** For those consumers about whom DriveTime furnished inaccurate credit information, DriveTime must provide a notice that explains how to obtain a free credit report from each of the nationwide consumer reporting agencies. If the customer has already received a free report during the preceding 12 months, DriveTime must arrange for the customer to obtain a credit report free of charge.
- **Implement an audit program:** DriveTime must implement a process for auditing information it furnishes to the credit reporting agencies on a monthly basis and monitoring the disputes it receives. The audit is designed to ensure the integrity and accuracy of the information.
- **Pay an $8 million penalty:** DriveTime will pay an $8 million penalty to the CFPB's Civil Penalty Fund.

The full text of the CFPB's Consent Order is available at:
http://files.consumerfinance.gov/f/201411_cfpb_consent-order_drivetime.pdf

###

The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.