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8
9 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
10 OF THE STATE OF CALIFORNIA

11 In the Matter of:) DCLA LICENSE NO.: 10440-99
12 THE COMMISSIONER OF FINANCIAL) CONSENT ORDER
13 PROTECTION AND INNOVATION,)
14 Complainant,)
15 v.)
16 CENTRAL FISCAL SERVICE, LLC,)
17 Respondent.)
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26 This Consent Order is entered into between the Commissioner of Financial Protection and
27 Innovation (Commissioner) of the Department of Financial Protection and Innovation (Department)
28 and Respondent Central Fiscal Service, LLC (CFS) and is made with respect to the following facts:

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I.

RECITALS

A. The Commissioner has jurisdiction over the regulation of persons engaged in offering or providing a consumer financial product or service in California and affiliated service providers under the California Consumer Financial Protection Law (CCFPL) (Cal. Fin. Code §§ 90000 – 90019).

B. A “covered person” is “[a]ny person that engages in offering or providing a consumer financial product or service to a resident of this state.” (Cal. Fin. Code § 90005(f)(1)).

C. “Financial product or service” includes, among other things, “[c]ollecting debt related to any consumer financial product or service” (Cal. Fin. Code § 90005(k)(10)).

D. “‘Debt’ means any obligation of a person to pay another person money regardless of whether the obligation is absolute or contingent, has been reduced to judgment, is fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured and includes any obligation that gives rise to right of an equitable remedy for breach of performance if the breach gives rise to a right to payment.” (Cal. Fin. Code § 90005(h)).

E. The Commissioner also has jurisdiction over the licensing and regulation of persons engaged in the business of collecting debt in California under the Debt Collection Licensing Act (DCLA) (Cal. Fin. Code §§ 100000 – 100025).

F. California Financial Code section 90005(d) of the CCFPL defines “[c]onsumer financial law” as “a federal or California law that directly and specifically regulates the manner, content, or terms and conditions of any financial transaction, or any account, product, or service related thereto, with respect to a consumer.”

G. California Financial Code section 90003(a) provides that it is unlawful for a covered person or service provider to engage in any unlawful, unfair, deceptive, or abusive act or practice with respect to consumer financial products or services, or to offer or provide to a consumer any financial product or service not in conformity with any consumer financial law or otherwise commit any act or omission in violation of a consumer financial law. (Cal. Fin. Code § 90003(a)(1), (a)(2)).

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1 H. The following laws are consumer financial laws within the meaning of California
2 Financial Code section 90003(a)(2): the DCLA, the Rosenthal Act, the FDCPA, and Regulation F.

3 I. CFS is a debt collector and debt buyer licensed by the Commissioner under the
4 DCLA with license number 10440-99. CFS has a principal place of business located at 811 Wilshire
5 Blvd., 17th Floor, Los Angeles, California 90017.

6 J. Elliott Smith is the Managing Member, Director, and sole manager of CFS and
7 authorized to enter into this Consent Order on CFS’s behalf. For clarity, this Order is entered into
8 solely against CFS and not Elliott Smith in his individual capacity.

9 K. On or around November 6, 2020, CFS purchased a portfolio of charged-off debts
10 originating from a creditor, Subscription Center Inc. (SCI).

11 L. From in or around January 2021 to at least April 2023, CFS sent at least 3,659 notices
12 that were the first written notices to a California consumer in an attempt to collect SCI and other
13 debts, all of which lacked the description of debtor rights required under California Civil Code
14 section 1812.700:

15 The state Rosenthal Fair Debt Collection Practices Act and the federal Fair
16 Debt Collection Practices Act require that, except under unusual
17 circumstances, collectors may not contact you before 8 a.m. or after 9 p.m.
18 They may not harass you by using threats of violence or arrest or by using
19 obscene language. Collectors may not use false or misleading statements
20 or call you at work if they know or have reason to know that you may not
21 receive personal calls at work. For the most part, collectors may not tell
22 another person, other than your attorney or spouse, about your debt.
23 Collectors may contact another person to confirm your location or enforce
24 a judgment. For more information about debt collection activities, you
25 may contact the Federal Trade Commission at 1-877-FTC-HELP or
26 www.ftc.gov.

27 M. From in or around January 2021 to at least April 2023, CFS sent at least 3,659 notices
28 that were the first written notices to a California consumer in an attempt to collect SCI and other
debts, all of which indicated “Date this letter was mailed . . .” and “How can you dispute this debt?
Call or write to us by . . . to dispute all or part of the debt.” The date by which CFS indicated to the
consumer to call or write to them was exactly 30 days after the purported “Date this letter was
mailed.” Hence, CFS failed to give the requisite number of days to dispute the debt by failing to

1 include at least five days after CFS provided it pursuant to 12 C.F.R. section 1006.34(a) and (b)(5)
2 of Regulation F (12 C.F.R. §§ 1006.1 – 1006.108), in violation of 15 U.S.C. section 1692g(a)(3) of
3 the Fair Debt Collection Practices Act (FDCPA) (15 U.S.C. §§ 1692 – 1692p).

4 N. In at least seven notices that CFS used to notify California consumers of a debt
5 originating with SCI, the date at which the debt was purportedly owed matched the date of the
6 contract for the pay during service agreement regarding a periodical subscription order, which by the
7 terms of the contract was in fact not owed until 24 months later. Hence, the “as of” date on which
8 the debt was purportedly owed was deceptive, in violation of California Financial Code section
9 90003(a)(1), as well as not in conformity with the 15 U.S.C. section 1692e(2)(A) of FDCPA.

10 O. In at least two notices that CFS used to notify California consumers of a debt
11 originating with SCI, CFS indicated not only an inaccurate “as of” date on which the debt was
12 purportedly owed as described in Paragraph K above, but also an inaccurate total amount owed,
13 stating the total amount for which the consumer actually settled with CFS, rather than the amount
14 originally owed. Hence, for the following accounts in which CFS collected monies to settle a
15 purported SCI debt, CFS used unlawful and deceptive notices in violation of California Financial
16 Code section 90003(a)(1), (a)(2), and 15 U.S.C. section 1692e(2)(A) of the FDCPA:

- 17 i. Consumer A, account number 73859427, amount collected: \$441.00; and
- 18 ii. Consumer B, account number 35237466, amount collected: \$350.00.

19 P. On or around August 16, 2022 Consumer B with account number 35237466
20 referenced in Paragraph L above, disputed the purported debt originating with SCI, but CFS did not
21 change the status it furnished to TransUnion to disputed until on or around December 22, 2022, or
22 128 days after Consumer B disputed it, in violation of California Civil Code section 1785.25(c) and
23 (f) of the California Consumer Credit Reporting Agency Act (CCRAA) (Cal. Civ. Code §§ 1785.1 –
24 1785.36).

25 Q. On or around September 8, 2022, CFS sent a text message to a consumer stating,
26 “Call 877-277-3087 about a past due account. This is an attempt to collect a debt from CFS, & any
27 information obtained will be used to collect. Reply STOP to end.” Hence, CFS communicated to a
28 debtor other than in the name of the debt collector or the person on whose behalf the debtor collector

1 was acting, in violation of California Civil Code section 1788.13(a) of the Rosenthal Fair Debt
2 Collection Practices Act (Rosenthal Act) (Cal. Civ. Code §§ 1788 – 1788.33).

3 R. On or around September 15, 2022, CFS left a voicemail on a consumer’s phone
4 stating the following:

5 This is CFS a debt collector. We’ve issued a time sensitive notice to you
6 notifying you that a creditor has submitted a delinquent account for our
7 office for collection. A negative credit report may be submitted to the
8 credit reporting agencies should you fail to fulfill the terms of your credit
9 obligations. Please press zero to resolve this matter or return our call to
10 877-277-3087. This is an attempt to collect a debt.

11 Hence, CFS again communicated to a debtor other than in the name of the debt collector or
12 the person on whose behalf the debtor collector was acting, in violation of California Civil Code
13 section 1788.13(a) of the Rosenthal Act.

14 S. On or around August 6, 2024, CFS disclosed that its phone system stores calls for
15 only 13 months, in violation of 12 C.F.R. section 1006.100 of Regulation F, which requires that
16 telephone call recordings must be retained for three years after the date of the call.

17 T. The Commissioner finds that entering into this Consent Order is in the public interest
18 and consistent with the purposes fairly intended by the policies and provisions of the CCFPL and
19 DCLA.

20 NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions set
21 forth herein, the parties agree as follows:

22 **II.**

23 **TERMS AND CONDITIONS**

24 1. Purpose. This Consent Order resolves the issues before the Commissioner set forth in
25 Paragraphs A through S above in a manner that avoids the expense of a hearing and other possible
26 court proceedings, protects consumers, is in the public interest, and is consistent with the purposes,
27 policies, and provisions of the CCFPL and DCLA.

28 2. Desist and Refrain Order. Pursuant to California Financial Code section 90015(d)(1),
CFS is hereby ordered to desist and refrain from violating the following:

a. California Financial Code section 90003(a)(1) and (a)(2) of the CCFPL;

- b. California Civil Code sections 1785.25(c) and (f) of the CCRAA;
- c. California Civil Code sections 1788.13(a) and 1788.17 of the Rosenthal Act;
- d. California Civil Code section 1812.700;
- e. 15 U.S.C. sections 1692e(2)(A) and 1692g(a)(3) of the FDCPA; and
- f. 12 C.F.R. sections 1006.34(a) and (b)(5) and 1006.100 of Regulation F.

This Desist and Refrain Order is final and effective from the effective date of this Consent Order, as defined in Paragraph 26 (Effective Date).

3. Restitution. CFS shall provide restitution as follows:

- a. Consumer A, account number 73859427: \$441.00; and
- b. Consumer B, account number 35237466: \$350.00.

4. Payment of Restitution and Notice. No later than 30 days after the Effective Date, CFS shall pay restitution described in Paragraph 3 and provide notice to the consumer as follows:

a. CFS shall mail a copy of this executed Consent Order to Consumers A and B to their last known address on record with the following notice:

As a result of a Consent Order entered into with the California Department of Financial Protection and Innovation attached hereto, you are being provided with restitution in the amount of \$X.XX. If you have any questions, please contact us at Admin@CentralFiscal.com, Central Fiscal Service, LLC, 811 Wilshire Blvd., 17th Floor, Los Angeles, California 90017.

b. CFS shall submit to the Commissioner evidence of payment of restitution and providing notice to the consumer by no later than 35 days after the Effective Date;

c. CFS shall escheat any unclaimed or undeliverable restitution amounts to the California State Controller's Office within the period provided by the Unclaimed Property Law (Cal. Code Civ. Proc. §§ 1500 – 1582).

5. Injunctive Relief. By no later than 30 days after the Effective Date CFS shall do the following (a) through (d) and submit to the Commissioner documentation evidencing compliance with this Paragraph via e-mail at Sophia.Kim@dfpi.ca.gov. Evidence of compliance with this Paragraph includes, without limitation, revised policies and procedures indicating date of

1 implementation, consumer account details, agent notes, consumer credit reporting bureau
2 communications, etc. regarding the following:

3 a. For all disputes related to any SCI debt from at least November 2020, comply
4 with CFS's policy, stated as follows:

5 Upon receipt [of a dispute] we update the account to disputed and
6 archived. We contact the consumer via phone to notify them that the
7 account has been removed in accordance with their dispute and that no
8 further collection attempts will continue. The account is closed and
9 deleted from any credit reporting agency and it its archived. As a matter of
10 policy we accept the consumer's dispute if the account is contested.

11 b. Delete all disputed SCI debts reported to any credit reporting agency;

12 c. Cease collection of any disputed SCI debt;

13 d. Retain all records of *any* disputed debt, including but not limited to SCI debts,
14 received in any format for at least 3 years after the last collection activity on the debt.

15 6. Penalty. For the violations set forth in Paragraphs A through S above CFS shall pay a
16 penalty in the amount of \$25,000.00, which shall be made payable in the form of a cashier's checks
17 or Automated Clearing House deposits to the Department of Financial Protection and Innovation and
18 transmitted to the attention of Accounting – Litigation, at the Department of Financial Protection and
19 Innovation, 651 Bannon Street, Suite 300, Sacramento, California 95811, with notice of each
20 concurrently sent to Sophia C. Kim via e-mail at: Sophia.Kim@dfpi.ca.gov, as follows:

21 a. \$2,500.00 due on May 1, 2025;

22 b. \$2,500.00 due on June 2, 2025;

23 c. \$2,000.00 due on July 1, 2025;

24 d. \$2,000.00 due on August 1, 2025;

25 e. \$2,000.00 due on September 1, 2025;

26 f. \$2,000.00 due on October 1, 2025;

27 g. \$2,000.00 due on November 3, 2025;

28 h. \$2,000.00 due on December 1, 2025;

i. \$2,000.00 due on January 2, 2026;

j. \$2,000.00 due on February 2, 2026;

1 k. \$2,000.00 due on March 2, 2026;

2 l. \$2,000.00 due on April 1, 2026.

3 7. Waiver of Hearing Rights. CFS acknowledges that the Commissioner is ready,
4 willing, and able to proceed with the filing of an administrative enforcement action on the charges
5 contained in this Consent Order. CFS hereby waives the right to any hearings, and to any
6 reconsiderations, appeal, or other right to review which may be afforded pursuant to the CCFPL,
7 DCLA, the California Administrative Procedure Act, the California Code of Civil Procedure, or any
8 other provision of law. CFS expressly waives any requirement for the filing of an Accusation
9 pursuant to California Government Code section 11415.60, subdivision (b). By waiving such rights,
10 CFS effectively consents to this Consent Order and Desist and Refrain Order becoming final.

11 8. Failure to Comply with Consent Order. CFS agrees that if it fails to comply with the
12 terms of this Consent Order, the Commissioner may, in addition to all other available remedies he
13 may invoke under the CCFPL, or DCLA, deny any application, summarily suspend any license
14 granted to CFS by the Commissioner until CFS is in compliance, and/or summarily revoke any
15 license granted by the Commissioner to CFS. CFS waives any notice and hearing rights to contest
16 such denial or summary suspension or revocation which may be afforded under the CCFPL, DCLA,
17 the California Administrative Procedure Act, the California Code of Civil Procedure, or any other
18 provision of law in connection therewith.

19 9. Information Willfully Withheld or Misrepresented. This Consent Order may be
20 revoked and the Commissioner may pursue any and all remedies available under law against CFS if
21 the Commissioner discovers that CFS knowingly or willfully withheld or misrepresented
22 information used for and relied upon in this Consent Order.

23 10. Future Actions by Commissioner. If CFS fails to comply with any terms of the
24 Consent Order, the Commissioner may institute proceedings for any and all violations otherwise
25 resolved under this Consent Order. The Commissioner reserves the right to bring any future actions
26 against CFS, or any of its partners, owners, officers, shareholders, directors, employees, or
27 successors for any and all unknown violations of the CCFPL, DCLA, and California Financial Code.

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1 11. Assisting Other Agencies. Nothing in this Consent Order limits the Commissioner’s
2 ability to assist any other government agency (city, county, state, or federal) with any prosecution,
3 administrative, civil or criminal brought by that agency against CFS or any other person based upon
4 any of the activities alleged in this matter or otherwise.

5 12. Headings. The headings to the paragraphs of this Consent Order are inserted for
6 convenience only and will not be deemed a part hereof or affect the construction or interpretation of
7 the provisions hereof.

8 13. Binding. This Consent Order is binding on all heirs, assigns, and/or successors in
9 interest.

10 14. Reliance. Each of the parties represents, warrants, and agrees that in executing this
11 Consent Order it has relied solely on the statements set forth herein and the advice of its own
12 counsel. Each of the parties further represents, warrants, and agrees that in executing this Consent
13 Order it has placed no reliance on any statement, representation, promise of any other party, or any
14 other person or entity not expressly set forth herein, or upon the failure of any party or any other
15 person or entity to make any statement, representation or disclosure of anything whatsoever. The
16 parties have included this clause: (1) to preclude any claim that any party was in any way
17 fraudulently induced to execute this Consent Order; and (2) to preclude the introduction of parol
18 evidence to vary, interpret, supplement, or contradict the terms of this Consent Order.

19 15. No Presumption Against Drafting Party. Each party acknowledges that it has had the
20 opportunity to draft, review, and edit the language of this Consent Order. Accordingly, the parties
21 intend that no presumption for or against the drafting party will apply in construing any part of this
22 Consent Order. The parties waive the benefit of California Civil Code section 1654 as amended or
23 corresponding provisions of any successor statute, which provide that in cases of uncertainty,
24 language of a contract should be interpreted most strongly against the party that caused the
25 uncertainty to exist.

26 16. Independent Legal Advice. Each of the parties represents, warrants, and agrees that it
27 has received independent advice from its attorney(s) and/or representatives with respect to the
28 advisability of executing this Consent Order.

1 17. Waiver, Amendments, and Modifications. No waiver, amendment, or modification of
2 this Consent Order will be valid or binding unless it is in writing and signed by each of the parties.
3 The waiver of any provision of this Consent Order will not be deemed a waiver of any other
4 provision. No waiver by either party of any breach of, or of compliance with, any condition or
5 provision of this Consent Order by the other party will be considered a waiver of any other condition
6 or provision or of the same condition or provision at another time.

7 18. Full Integration. This Consent Order is the final written expression and the complete
8 and exclusive statement of all the agreements, conditions, promises, representations, and covenants
9 between the parties with respect to the subject matter hereof, and supersedes all prior or
10 contemporaneous agreements, negotiations, representations, understandings, and discussions
11 between and among the parties, their respective representatives, and any other person or entity, with
12 respect to the subject matter covered hereby.

13 19. Governing Law. This Consent Order shall be construed and enforced in accordance
14 with and governed by California law. Each of the parties hereto consents to the jurisdiction of such
15 court in California, administrative or otherwise, best suited to handle any action or proceeding under
16 this Consent Order, and hereby irrevocably waives, to the fullest extent permitted by law, the
17 defense of an inconvenient forum to the maintenance of such action or proceeding in such court.

18 20. Counterparts. This Consent Order may be executed in one or more separate
19 counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall
20 together constitute a single document.

21 21. Effect Upon Future Proceedings. If CFS applies for any license, permit or
22 qualification under the Commissioner’s current or future jurisdiction or are the subject of any future
23 action by the Commissioner to enforce this Consent Order, then the subject matter hereof shall be
24 admitted for the purpose of such application(s) or enforcement proceeding(s).

25 22. Voluntary Agreement. CFS enters into this Consent Order voluntarily and without
26 coercion and acknowledges that no promises, threats or assurances have been made by the
27 Commissioner or any officer, or agent thereof, about this Consent Order. The parties each represent
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1 and acknowledge that he, she or it is executing this Consent Order completely voluntarily and
2 without any duress or undue influence of any kind from any source.

3 23. Notice. Any notice required under this Consent Order shall be provided to each party
4 at the following addresses:

5 To CFS:

6 Central Fiscal Service, LLC, Attention: Elliott Smith, Managing Member, 811
7 Wilshire Blvd., 17th Floor, Los Angeles, California 90017.;
8 Admin@CentralFiscal.com

9 To the Commissioner:

10 Sophia C. Kim, Senior Counsel, Enforcement Division, Department of Financial
11 Protection and Innovation, 320 West 4th Street, Suite 750, Los Angeles, California
12 90013; Sophia.Kim@dfpi.ca.gov

13 24. Signatures. A fax or electronic mail signature shall be deemed the same as an
14 original signature.

15 25. Public Record. CFS hereby acknowledges that this Consent Order is and will be a
16 matter of public record.

17 26. Effective Date. This Consent Order shall become final and effective when signed by
18 all parties and delivered by the Commissioner's counsel via e-mail to CFS's agent at
19 ptokar@bzlegal.com.

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27. Authority to Sign. Each signatory hereto covenants that he/she possesses all necessary capacity and authority to sign and enter into this Consent Order and undertake the obligations set forth herein.

Dated: March 28, 2025

KHALIL MOHSENI
Commissioner of Financial Protection and Innovation

By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

Dated: March 27, 2025

CENTRAL FISCAL SERVICE, LLC

By _____
ELLIOTT SMITH
Managing Member, Director