

CFPB Moves to Reduce Junk Fees Charged by Debt Collectors

Advisory opinion explains that most “pay-to-pay” fees charged by debt collectors violate federal law

JUN 29, 2022

Today, the Consumer Financial Protection Bureau (CFPB) issued an advisory opinion affirming that federal law often prohibits debt collectors from charging “pay-to-pay” fees. These charges, commonly described by debt collectors as “convenience fees,” are imposed on consumers who want to make a payment in a particular way, such as online or by phone.

“Federal law generally forbids debt collectors from imposing extra fees not authorized by the original loan,” said CFPB Director Rohit Chopra. “Today’s advisory opinion shows that these fees are often illegal, and provides a roadmap on the fees that a debt collector can lawfully collect.”

Debt collectors play a critical role in the consumer finance ecosystem, and the CFPB wants to ensure that law-abiding debt collectors are not disadvantaged by their competitors that impose unlawful fees. While most debt collectors allow consumers to make payments by phone or online without charging additional fees, some debt collectors impose additional fees for those types of payments. These debt collectors do so even if it is cheaper and less time-consuming for them to process phone and online payments than it is to process the paper-check payments delivered by mail or in person that debt collectors typically process for free. These types of fees are often illegal, and today’s advisory opinion and accompanying analysis seek to stop these violations of law and assist consumers who are seeking to hold debt collectors accountable for illegal practices.

The advisory opinion interprets the language in Section 808 of the Fair Debt Collection Practices Act (FDCPA), which prohibits debt collectors from collecting any amount that is not expressly authorized by the underlying agreement or permitted by law. The FDCPA was passed in 1977 in response to widespread abuses in the debt collection industry, which Congress acknowledged was not subject to appropriate regulation under existing laws at the time. In 2010, the Consumer Financial Protection Act transferred primary responsibility for the FDCPA, including issuing regulations and ensuring compliance, to the CFPB.

The advisory opinion covers the following on debt collection practices:

- **Identifies scope of illegal fees:** The collection of any fee is prohibited unless the fee amount is in the consumer’s contract or affirmatively permitted by law.

- **Affirms that silence in the law is not an authorization:** A debt collector may only collect a fee when it is authorized by the agreement creating the debt or is “permitted by law.” Where no law expressly authorizes a fee, it is not “permitted by law,” even if no law expressly prohibits it.
- **Clarifies role of payment processors:** Debt collectors violate the FDCPA when using payment processors who charge unauthorized fees at a minimum if the debt collector receives a kickback from the payment processor.

[Read the advisory opinion](#).

Today’s advisory opinion continues the CFPB’s focus on addressing junk fees in consumer finance. Last week, the CFPB [announced a review](#) of the credit card industry’s penalty policies costing consumers over \$12 billion each year, and published an [Advance Notice of Proposed Rulemaking](#) asking for information to help determine whether regulatory adjustments are needed to address late fees under the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act). In addition, the CFPB earlier this year sent out a [request for information](#) to hear from the public about potential junk fees. The comments that the Bureau received are available for public inspection [here](#).

Consumers encountering problems with debt collectors charging unauthorized additional fees to make payments can submit a complaint with the [CFPB online](#) or by calling (855) 411-CFPB (2372).

###

The Consumer Financial Protection Bureau is a 21st century agency that implements and enforces Federal consumer financial law and ensures that markets for consumer financial products are fair, transparent, and competitive. For more information, visit [consumerfinance.gov](#).