
*
IN THE MATTER OF: *
*
MIDWEST RECOVERY SYSTEMS, LLC *
NMLS # 1587525 *
*
(“Respondent”) *
*

**NOTICE OF INTENT TO ISSUE
ORDER TO CEASE AND DESIST**

**NOTICE OF INTENT TO IMPOSE
CIVIL PENALTY**

AND

NOTICE OF RIGHT TO HEARING

I. LEGAL AUTHORITY AND JURISDICTION

1. The Banking Commissioner (“Commissioner”) is charged with the administration of Part XII of Chapter 669, Sections 36a-800 to 36a-814, inclusive, of the Connecticut General Statutes, “Consumer Collection Agencies”, and the regulations promulgated thereunder, Sections 36a-809-6 to 36a-809-17, inclusive, of the Regulations of Connecticut State Agencies (“Regulations”), and Part III of Chapter 668, Sections 36a-555 to 36a-573, inclusive, of the Connecticut General Statutes, “Small Loan Lending and Related Activities”, Sections 36a-570-1 to 36a-570-17, inclusive, of the Regulations.

2. Pursuant to the authority granted by Section 36a-17 of the Connecticut General Statutes, the Commissioner, through the Consumer Credit Division of the Department of Banking (“Department”), has investigated the activities of Respondent to determine if it has violated, is violating or is about to violate the provisions of the Connecticut General Statutes or Regulations within the jurisdiction of the Commissioner (“Investigation”).

3. As a result of the Investigation, the Commissioner has reason to believe that Respondent has violated Section 36a-801(a) of the Connecticut General Statutes, Section 36a-573(a) of the Connecticut General Statutes, in effect prior to July 1, 2016, and subsections (4) and (5) of Section 36a-556(a) of the Connecticut General Statutes.

4. As a result of the Investigation, the violations alleged by the Commissioner form the basis to issue an order to cease and desist against Respondent pursuant to Sections 36a-804(b), 36a-570(b) and 36a-52(a) of the Connecticut General Statutes.

5. As a result of the Investigation, the violations alleged by the Commissioner form the basis to impose a civil penalty against Respondent pursuant to Sections 36a-804(b), 36a-570(b) and 36a-50(a) of the Connecticut General Statutes.

II. MATTERS ASSERTED

6. Respondent is a Missouri limited liability company with its principal address at 514 Earth City Plaza, Suite 100, Earth City, Missouri. Respondent has never been licensed to act as a consumer collection agency in Connecticut.

7. On April 24, 2017, the Department received a complaint from a Connecticut resident regarding a purported payday loan that Respondent reported as past due on the complainant's credit report. On the same date, the Department requested that Respondent provide a spreadsheet listing Connecticut consumer collection activity for the previous five years.

8. On June 27, 2017, Respondent provided a spreadsheet to the Department in response to its request, which evidenced that between January 9, 2015 and June 27, 2017: (a) Respondent received assignments of over 10,000 accounts for collection owed by Connecticut borrowers ("Accounts"), many of which Accounts were for "payday loans" or small loans made to such Connecticut borrowers in an amount of \$15,000 or less and with an APR of greater than 12%; and (b) Respondents received payments of principal and interest in connection with such Accounts totaling at least \$10,000.

9. Also on June 27, 2017, Respondent informed the Department that it had closed all the Accounts and returned them to the original creditors.

10. On July 13, 2017, Respondent applied through the Nationwide Multistate Licensing System and Registry ("NMLS") for a license to act as a consumer collection agency in Connecticut. On August 27, 2018, Respondent requested withdrawal of such application.

11. On May 24, 2018, the Director of the Department of Finance of the State of Idaho, Consumer Finance Bureau, issued an Order to Cease and Desist against Respondent, finding that Respondent engaged in collection activities in Idaho without a license, in violation of Idaho Code Section 36-2233(1) and (2), and ordering that Respondent and its agents and employees immediately cease and desist from engaging in collection activity in Idaho without the license required by the Idaho Collection Agency Act.

III. STATUTORY BASIS FOR ORDER TO CEASE AND DESIST AND IMPOSITION OF CIVIL PENALTY

Respondent's acting within this state as a consumer collection agency without a consumer collection agency license, as more fully described in paragraphs 6 through 11, inclusive, of the Matters Asserted, constitutes a violation of Section 36a-801(a) of the Connecticut General Statutes, in effect at such time. Such violation forms the basis to issue an order to cease and desist pursuant to Sections 36a-804(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty pursuant to Sections 36a-804(b) and 36a-50(a) of the Connecticut General Statutes. Section 36a-50(a) of the Connecticut General Statutes authorizes the Commissioner to impose a civil penalty upon Respondent in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

Respondent's collecting or receiving payments of principal and interest on at least one small loan made by a person who had not obtained a small loan license, as more fully described in paragraphs 6 through 11, inclusive, of the Matters Asserted, constitutes a violation of Section 36a-573(a) of the Connecticut General Statutes, in effect prior to July 1, 2016, and subsections (4) and (5) of Section 36a-556(a) of the Connecticut General Statutes, in effect at such time. Such violation forms the basis to issue an order to cease and desist pursuant to Sections 36a-570(b) and 36a-50(a) of the Connecticut General Statutes, and to impose a civil penalty against Respondent pursuant to Sections 36a-570(b) and 36a-50(a) of the Connecticut General Statutes. Section 36a-50(a) of the Connecticut General Statutes authorizes the Commissioner to impose a civil penalty upon Respondent in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

IV. NOTICE OF INTENT TO ISSUE ORDER TO CEASE AND DESIST, NOTICE OF INTENT TO IMPOSE CIVIL PENALTY AND NOTICE OF RIGHT TO HEARING

WHEREAS, the Commissioner has reason to believe that Respondent has engaged in acts or conduct which forms a basis to issue an order to cease and desist against Respondent pursuant to Sections 36a-804(b), 36a-570(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty pursuant to Sections 36a-804(b), 36a-570(b) and 36a-50(a) of the Connecticut General Statutes.

NOW THEREFORE, notice is hereby given to Respondent that the Commissioner intends to issue an order requiring Respondent to **CEASE AND DESIST** from violating Sections 36a-801(a) and 36a-556(a) of the Connecticut General Statutes, and to impose a **CIVIL PENALTY** upon Respondent as set forth herein, subject to Respondent's right to a hearing on the allegation set forth above.

A hearing will be granted to Respondent if a written request for a hearing is received by the Department of Banking, Consumer Credit Division, 260 Constitution Plaza, Hartford, Connecticut 06103-1800 within fourteen (14) days following Respondent's receipt of this Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing as set forth in Sections 36a-52(a) and 36a-50(a) of the Connecticut General Statutes. This Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing shall be deemed received on the earlier of the date of actual receipt, or seven (7) days after mailing or sending. To request a hearing, complete and return the enclosed Appearance and Request for Hearing Form to the above address. If Respondent will not be represented by an attorney at the hearing, please complete the Appearance and Request for Hearing Form as "pro se". Once a written request for a hearing is received, the Commissioner may issue a notification of hearing and designation of hearing officer that acknowledges receipt of a request for a hearing, designates a hearing officer and sets the date of the hearing in accordance with Section 4-177 of the Connecticut General Statutes and Section 36a-1-21 of the Regulations of Connecticut State Agencies. If a hearing is requested, the hearing will be held on April 2, 2020, at 10 a.m., at the Department of Banking, 260 Constitution Plaza, Hartford, Connecticut.

If a hearing is requested, it will be held in accordance with the provisions of Chapter 54 of the Connecticut General Statutes, unless Respondent fails to appear at the requested hearing. At such hearing, Respondent will have the right to appear and present evidence, rebuttal evidence and argument on all issues of fact and law to be considered by the Commissioner.

If Respondent does not request a hearing within the time period prescribed or fails to appear at any such hearing, the allegation herein will be deemed admitted. Accordingly, the Commissioner will issue an order that Respondent cease and desist from violating Sections 36a-801(a) and 36a-556(a) of the Connecticut General Statutes and may order a civil penalty in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation be imposed upon Respondent.

Dated at Hartford, Connecticut,
this 6th day of February 2020.

/s/

Jorge L. Perez
Banking Commissioner

CERTIFICATION

I hereby certify that on this 7th day of February 2020, I caused to be mailed by certified mail, return receipt requested, the foregoing Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing to Midwest Recovery Systems, LLC, Attn: Brandon Tumber, Owner/Member, 514 Earth City Plaza, Suite 100, Earth City, MO 63045, Certified Mail No. 7015 1730 0002 2411 3632.

/s/

Emily B. Bochman
Paralegal