
IN THE MATTER OF:

**ACCOUNT DISCOVERY
SYSTEMS, LLC**
NMLS# 937608
(“ADS”)

**PAYMENT MANAGEMENT
SERVICES USA, LLC**
(“PMS”)

(collectively, “Respondents”)

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**NOTICE OF INTENT TO REVOKE
CONSUMER COLLECTION
AGENCY LICENSE**

**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

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”, Sections 36a-809-6 to 36a-809-17, inclusive, of the Regulations of Connecticut State Agencies (“Regulations”), 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, and Part V of Chapter 668, Sections 36a-595 to 36a-612, inclusive, of the Connecticut General Statutes, “Payment Instruments. Money Transmission”.

Pursuant to the authority granted by Section 36a-17 of the Connecticut General Statutes, the Commissioner, through the Consumer Credit Division (“Division”) of the Department of Banking (“Department”), has investigated and examined the activities of Respondents to determine if they have violated, are violating or are about to violate the provisions of the Connecticut General Statutes or Regulations within the jurisdiction of the Commissioner.

Section 36a-17(a) of the Connecticut General Statutes, in effect prior to October 1, 2018, provided, in pertinent part, that:

The commissioner, in the commissioner's discretion, may, subject to the provisions of section 36a-21 and the Freedom of Information Act, as defined in section 1-200, (1) make such public or private investigations or examinations within or outside this state, concerning any person subject to the jurisdiction of the commissioner

Section 36a-51 of the Connecticut General Statutes provides, in pertinent part, that:

(a) The commissioner may . . . revoke . . . any license issued by the commissioner under any provision of the general statutes by sending a notice to the licensee by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, or by personal delivery, as defined in section 4-166, in accordance with section 36a-52a. The notice shall be deemed received by the licensee on the earlier of the date of actual receipt or seven days after mailing or sending, and in the case of a notice sent by electronic mail, the notice shall be deemed received by the licensee in accordance with section 36a-52a. Any such notice shall include: (1) A statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the general statutes, regulations, rules or orders involved; (4) a short and plain statement of the matters asserted; and (5) a statement indicating that the licensee may file a written request for a hearing on the matters asserted within fourteen days of receipt of the notice. . . .

(b) If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice unless the licensee fails to appear at the hearing. After the hearing, the commissioner shall . . . revoke . . . the license for any reason set forth in the applicable licensing provisions of the general statutes if the commissioner finds sufficient grounds exist for such . . . revocation If the licensee does not request a hearing within the time specified in the notice or fails to appear at the hearing, the commissioner shall . . . revoke . . . the license. No such license shall be . . . revoked except in accordance with the provisions of chapter 54.

Section 36a-51(c)(2) of the Connecticut General Statutes provides, in pertinent part, that:

If any license issued on the system expires due to the licensee's failure to renew such license, the commissioner may institute a revocation or suspension proceeding, or issue an order revoking or suspending the license, under applicable authorities not later than one year after the date of such expiration. . . .

Section 36a-52(a) of the Connecticut General Statutes provides, in pertinent part, that:

Whenever it appears to the commissioner that any person has violated, is violating or is about to violate any provision of the general statutes within the jurisdiction of the commissioner, or any regulation . . . adopted . . . thereunder, the commissioner may send a notice to such person by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, unless such person is licensed by the commissioner, in which case the notice may be provided by personal delivery, as defined in section 4-166, in accordance with section 36a-52a. The notice shall be deemed received by the person on the earlier of the date of actual receipt, or seven days after mailing or sending, and in the case of a notice sent by electronic mail, the notice shall be deemed received by the person in accordance with section 36a-52a. Any such notice shall include: (1) A statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the general statutes, [or] regulations . . . alleged to have been violated; (4) a short and plain statement of the matters asserted; and (5) a statement indicating that such person may file a written request for a hearing on the matters asserted within fourteen days of receipt of the notice. If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice, unless the person fails to appear at the hearing. After the hearing, the commissioner shall determine whether an order to cease and desist should be issued against the person named in the notice. If the person does not request a hearing within the time specified in the notice or fails to appear at the hearing, the commissioner shall issue an order to cease and desist against the person. No such order shall be issued except in accordance with the provisions of chapter 54.

Section 36a-50(a) of the Connecticut General Statutes provides, in pertinent part, that:

(1) Whenever the commissioner finds as the result of an investigation that any person has violated any provision of the general statutes within the jurisdiction of the commissioner, or any regulation . . . adopted . . . thereunder, the commissioner may send a notice to such person by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, unless such person is licensed by the commissioner, in which case the notice may be provided by personal delivery, as defined in section 4-166, in accordance with section 36a-52a. The notice shall be deemed received by the person on the earlier of the date of actual receipt or seven days after mailing or sending, and in the case of a notice sent by electronic mail, the notice shall be deemed received by the person in accordance with section 36a-52a. Any such notice shall include: (A) A statement of the time, place, and nature of the hearing; (B) a statement of the legal authority and jurisdiction under which the hearing is to be held; (C) a reference to the particular sections of the general statutes, [or] regulations . . . alleged to have been violated; (D) a short and plain statement of the matters asserted; (E) the maximum penalty that may be imposed for such violation; and (F) a statement indicating that such

person may file a written request for a hearing on the matters asserted not later than fourteen days after receipt of the notice.

(2) If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice unless such person fails to appear at the hearing. After the hearing, if the commissioner finds that the person has violated any such provision, [or] regulation, . . . the commissioner may, in the commissioner's discretion and in addition to any other remedy authorized by law, order that a civil penalty not exceeding one hundred thousand dollars per violation be imposed upon such person. If such person does not request a hearing within the time specified in the notice or fails to appear at the hearing, the commissioner may, as the facts require, order that a civil penalty not exceeding one hundred thousand dollars per violation be imposed upon such person.

(3) Each action undertaken by the commissioner under this subsection shall be in accordance with the provisions of chapter 54.

Section 4-182(c) of the Connecticut General Statutes provides, in pertinent part, that:

No revocation . . . of any license is lawful unless, prior to the institution of agency proceedings, the agency gave notice by mail to the licensee of facts or conduct which warrant the intended action and the specific provisions of the general statutes or of regulations adopted by the agency that authorize such intended action, and the licensee was given an opportunity to show compliance with all lawful requirements for the retention of the license. . . .

II. MATTERS ASSERTED

1. ADS is a New York limited liability company that was licensed to act as a consumer collection agency in Connecticut from November 8, 2012 to January 1, 2019, when its license expired. At all times relevant hereto, ADS and Chebat Financial Group, LLC ("CFG") operated from an office at 11 Pinchot Court, Suite 110, Amherst, New York. CFG is a New York limited liability company that has never been licensed to act as a consumer collection agency in Connecticut. At all times relevant hereto, ADS collected on various delinquent and defaulted consumer debtor accounts, including debt purchased by CFG.

2. PMS is a New York limited liability company with an office at 495 Commerce Drive, Suite 2, Amherst, New York. Prior to July 5, 2017, ADS acted as a consumer collection agency from this location.

3. At all times relevant hereto, ADS, PMS and CFG have been wholly owned by WNYC, LLC, a New York limited liability company. WNYC, LLC is wholly owned by John Chebat (“Chebat”). At all times relevant hereto, Chebat has been the President of ADS and PMS.

4. On April 20, 2012, Chebat, individually and on behalf of several debt collection companies, entered into an Assurance of Discontinuance (“Assurance”) with the Attorney General of the State of New York to settle various alleged deceptive, fraudulent and illegal business practices in violation of the Fair Debt Collection Practices Act and New York law. The Assurance required Chebat, among other things, to: (1) pay a \$175,000 penalty, (2) install a system that permits him to monitor the telephone calls of his collectors without their knowledge, (3) monitor his collectors on a regular basis to ensure that they are complying with the law, (4) bar his employees from engaging in spoofing and representing that they are process servers, and (5) appoint a compliance officer responsible for ensuring that Chebat’s collectors comply with the law.

5. On August 17, 2015, the Department commenced an examination of ADS, which continued through October 26, 2016. The examination revealed that from at least January to March 2016, monies from Connecticut consumer debtors were initially deposited into a bank account maintained by PMS prior to being transferred to a bank account maintained by ADS.

6. By letter dated August 9, 2016, ADS stated to the Division that PMS receives funds for consumer payments and “handles all consumer calls in regards to payments they have made.” In addition, at such time, PMS’ website stated that PMS “is a National Debt Collection Agency based out of Buffalo, New York. We are dedicated to be a full service debt collection solution by increasing the percentage of bad debt recovery for our clients in a professional manner, and preserving our client’s image and our reputation in our industry.”

7. However, by letter dated March 20, 2017, in response to the Department’s Report of Examination, ADS stated, in pertinent part, that “PMS is a third-party payment processor, not a debt collector”. At no time relevant hereto has PMS been licensed to act as a consumer collection agency or to engage in the business of money transmission in Connecticut.

8. The examination also revealed that through at least March 2016, monies from Connecticut consumer debtors were not maintained in a separate trust account designated for creditors, but rather were commingled by ADS with monies used for operating expenses.

9. ADS also collected and received payments on charged off “small loans” made to Connecticut residents by persons who had not obtained a small loan license in Connecticut. A “small loan” is a loan of an amount of \$15,000 or less with an APR of greater than 12%.

10. On January 14, 2015, the Division issued a memorandum to licensed consumer collection agencies, including ADS (“2015 Memorandum”), advising, in pertinent part, that:

Section 36a-573 of the Connecticut General Statutes prohibits persons who are not licensed as small loan lenders from, directly or indirectly, charging, contracting for or receiving any interest, charge or consideration greater than 12% per annum upon a loan, use or forbearance of money or credit in the amount of \$15,000 or less, and further provides that “[n]o loan for which a greater rate of interest or charge than is allowed by the provisions of sections 36a-555 to 36a-573, inclusive, has been contracted for or received, wherever made, shall be enforced in this state, and any person in any way participating therein in this state shall be subject to the provisions of said sections . . .”.

If you have purchased illegal small loans or are assisting in their collection, you should immediately cease and desist from activity that may violate the mandates of the small loan regulatory scheme.

11. From at least January to March 2016, ADS collected and received payments from Connecticut residents on at least five small loans made by unlicensed persons that charged interest at a rate greater than 12%.

12. The 2015 Memorandum also communicated that additional processing or convenience fees for expediting payments to collection agencies made by telephone, credit card, electronic check or debit card are prohibited by Connecticut law.

13. Nevertheless, from at least January to March 2016, ADS, through PMS, charged convenience fees of approximately 4% to at least five Connecticut debtors to make payments over the telephone.

14. On multiple occasions, ADS failed to timely update its application on the Nationwide Multistate Licensing System and Registry (“NMLS”). For example, during the Examination, it was noted

that ADS was using a bank account not identified on NMLS for its Connecticut consumer collection operations. On July 7, 2016, the Department brought this issue to the attention of ADS, yet ADS did not correctly update its application on NMLS until November 10, 2016. Moreover, ADS did not establish a trust account at a federally-insured bank, Connecticut credit union, federal credit union or an out-of-state bank that maintains in this state a branch, as required by Section 36a-811 of the Connecticut General Statutes, until March 22, 2017.

15. On March 4, 2018, ADS terminated its Chief Executive Officer, however, ADS failed to update its application on NMLS to reflect such change until March 23, 2018.

16. On April 18, 2018, pursuant to Section 4-182(c) of the Connecticut General Statutes, the Division provided ADS an opportunity to show compliance for the retention of its consumer collection agency license in Connecticut.

17. On May 2, 2018, ADS responded to the Division's April 18 letter, as more fully described in paragraph 16 above, making various dubious claims, including, but not limited to, that convenience fees were applied by a third-party processing company and not at the direction of ADS. As previously stated, PMS performed payment processing for ADS, and Chebat acts as President of both ADS and PMS.

III. STATUTORY BASIS FOR ORDER TO REVOKE CONSUMER COLLECTION AGENCY LICENSE, ORDER TO CEASE AND DESIST AND IMPOSITION CIVIL PENALTY

Section 36a-573 of the Connecticut General Statutes, effective June 19, 2015, provided, in pertinent part, that:

(a) No person, except as authorized by the provisions of sections 36a-555 to 36a-573, inclusive, shall, directly or indirectly, charge, contract for or receive any interest, charge or consideration greater than twelve per cent per annum upon the loan, use or forbearance of money or credit of the amount or value of . . . (2) fifteen thousand dollars or less for any such transaction entered into on and after October 1, 1997. . . . No loan for which a greater rate of interest or charge than is allowed by the provisions of sections 36a-555 to 36a-573, inclusive, has been contracted for or received, wherever made, shall be enforced in this state, and any person in any way participating therein in this state shall be subject to the provisions of said sections

(c) For transactions subject to the provisions of subsection (a) of this section, if any interest, consideration or charges in excess of those permitted are charged, contracted for or received, the contract of loan, use or forbearance of money or credit shall be void and no person shall have the right to collect or receive any principal, interest, charge or other consideration.

(d) No person shall, directly or indirectly, assist or aid and abet any person in conduct prohibited by sections 36a-555 to 36a-573, inclusive.

(e) Whenever it appears to the commissioner that any person has violated the provisions of this section . . . the commissioner may investigate, take administrative action or assess civil penalties . . . in accordance with the provisions of sections 36a-50 and 36a-52.

Section 36a-597(a) of the Connecticut General Statutes, in effect prior to October 1, 2018, provided, in pertinent part, that:

No person shall engage in the business of money transmission in this state, or advertise or solicit such services, without a license issued by the commissioner as provided in sections 36a-595 to 36a-612, inclusive, except as an authorized delegate of a person that has been issued a license by the commissioner and in accordance with section 36a-607. . . .

Section 36a-608(c) of the Connecticut General Statutes provides, in pertinent part, that:

Whenever it appears to the commissioner that (1) any person has violated, is violating or is about to violate any provision of sections 36a-595 to 36a-612, inclusive, or any regulation adopted under said sections, [or] (2) any person is, was or would be a cause of the violation of any such provision or regulation due to an act or omission such person knew or should have known would contribute to such violation, . . . the commissioner may take action against such person in accordance with sections 36a-50 and 36a-52.

Section 36a-800(2) of the Connecticut General Statutes, in effect prior to October 1, 2016, provided, in pertinent part, that:

“Consumer collection agency” means any person (A) engaged as a third party in the business of collecting or receiving for payment for others of any account, bill or other indebtedness from a consumer debtor, (B) engaged directly or indirectly in the business of collecting any account, bill or other indebtedness from a consumer debtor for such person’s own account if the indebtedness was acquired from another person and if the indebtedness was either delinquent or in default at the time it was acquired

Section 36a-801(a) of the Connecticut General Statutes, in effect prior to October 1, 2016, provided, in pertinent part, that:

No person shall act within this state as a consumer collection agency unless such person has first obtained a consumer collection agency license for such person's main office and each branch office where such person's business is conducted. A consumer collection agency is acting within this state if it (1) has its place of business located within this state; (2) has its place of business located outside this state and (A) collects from consumer debtors . . . who reside within this state for creditors who are located within this state, or (B) collects from consumer debtors . . . who reside within this state for such consumer collection agency's own account; (3) has its place of business located outside this state and regularly collects from consumer debtors . . . who reside within this state for creditors who are located outside this state

Section 36a-801(c)(2) of the Connecticut General Statutes provides, in pertinent part, that:

If the commissioner finds, upon the filing of an application for a consumer collection agency, that (A) the financial responsibility, character, reputation, integrity and general fitness of the applicant . . . are such to warrant belief that the business will be operated soundly and efficiently, in the public interest and consistent with the purposes of sections 36a-800 to 36a-814, inclusive, . . . the commissioner may, upon such finding, issue the applicant a consumer collection agency license. If the commissioner fails to make such findings, the commissioner shall not issue a license and shall notify the applicant of the reasons for such denial. . . .

Section 36a-801(e) of the Connecticut General Statutes, in effect prior to October 1, 2018, provided, in pertinent part, that:

The applicant or licensee shall notify the commissioner, in writing, of any change in the information provided in its initial application for a license or most recent renewal application for such license, as applicable, not later than ten business days after the occurrence of the event that results in such information becoming inaccurate.

Section 36a-804 of the Connecticut General Statutes provides, in pertinent part, that:

(a) The commissioner may . . . revoke . . . any license or take any other action, in accordance with the provisions of section 36a-51, . . . for any reason which would be sufficient grounds for the commissioner to deny an application for a license under sections 36a-800 to 36a-814, inclusive, or if the commissioner finds that the licensee . . . has done any of the following: (1) Made any material misstatement in the application or in any filing made in connection with the license; (2) committed any fraud or misrepresentation or misappropriated funds; or (3) violated any of the provisions of this title or of any regulations or orders adopted or issued

pursuant thereto pertaining to any such person, or any other law or regulation applicable to the conduct of such licensee's consumer collection agency business.

(b) Whenever it appears to the commissioner that (1) any person has violated, is violating or is about to violate any of the provisions of sections 36a-800 to 36a-814, inclusive, . . . or any regulation adopted pursuant thereto, (2) any person is, was or would be a cause of the violation of any such provision or regulation due to an act or omission such person knew or should have known would contribute to such violation, or (3) the licensee . . . has committed any fraud, made any misrepresentation or misappropriated funds, the commissioner may take action against such person or licensee in accordance with sections 36a-50 and 36a-52.

Section 36a-805(a) of the Connecticut General Statutes, in effect prior to October 1, 2016, provided, in pertinent part, that:

No consumer collection agency shall: . . . (12) add any post charge-off charge or fee for cost of collection, unless such cost is a court cost, to the amount of any claim which it receives for collection or knowingly accept for collection any claim to which any such charge or fee has already been added to the amount of the claim unless (A) the consumer debtor is legally liable for such charge or fee as determined by the contract or other evidence of an agreement between the consumer debtor and creditor, a copy of which shall be obtained by or available to the consumer collection agency from the creditor and maintained as part of the records of the consumer collection agency or the creditor, or both, and (B) the total charge or fee for cost of collection does not exceed fifteen per cent of the total amount actually collected and accepted as payment in full satisfaction of the debt

Section 36a-811(b) of the Connecticut General Statutes, in effect prior to October 1, 2016, provided, in pertinent part, that:

Each third party consumer collection agency shall deposit funds collected or received from consumer debtors for payment for others on an account, bill or other indebtedness in one or more trust accounts maintained at a bank, Connecticut credit union, federal credit union or an out-of-state bank that maintains in this state a branch as defined in section 36a-410, which accounts shall be reconciled monthly. Such funds shall not be commingled with funds of the consumer collection agency or used in the conduct of the consumer collection agency's business. Such account shall not be used for any purpose other than (1) the deposit of funds received from consumer debtors, (2) the payment of such funds to creditors, (3) the refund of any overpayments to be made to consumer debtors, and (4) the payment of earned fees to the consumer collection agency, which shall be withdrawn on a monthly basis. Except for payments authorized by subdivisions (2) to (4), inclusive, of this

subsection, any withdrawal from such account, including, but not limited to, any service charge or other fee imposed against such account by a depository institution, shall be reimbursed by the consumer collection agency to such account not more than thirty days after the withdrawal. Funds received from consumer debtors shall be posted to their respective accounts in accordance with generally accepted accounting practices.

1. PMS acted as a consumer collection agency within Connecticut without the required license, as more fully described in paragraphs 1 through 13, inclusive, and 17 of the Matters Asserted, in violation of Section 36a-801(a) of the Connecticut General Statutes, in effect prior to October 1, 2016. Such violation forms the basis to issue an order to cease and desist pursuant to Section 36a-804(b) of the Connecticut General Statutes and Section 36a-52(a) of the Connecticut the General Statutes, and to impose a civil penalty pursuant to Section 36a-804(b) of the Connecticut General Statutes and Section 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 PMS in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

2. PMS engaged in the business of money transmission in Connecticut without the required license, as more fully described in paragraphs 1 through 13, inclusive, and 17 of the Matters Asserted, in violation of Section 36a-597(a) of the Connecticut General Statutes, in effect prior to October 1, 2018. Such violation forms the basis to issue an order to cease and desist pursuant to Section 36a-608(c) of the Connecticut General Statutes and Section 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty pursuant to Section 36a-608(c) of the Connecticut General Statutes and Section 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 PMS in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

3. ADS collected or received payments on at least one small loan made by a person who had not obtained a small loan license, as more fully described in paragraph 1 through 3, inclusive, and 9 through 11, inclusive, of the Matters Asserted, in violation of Section 36a-573 of the Connecticut General Statutes, effective June 19, 2015. Such violations constitute sufficient grounds to revoke ADS' consumer

collection agency license pursuant to Section 36a-804(a) of the Connecticut General Statutes, subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes, and Section 36a-51(c)(2) of the Connecticut General Statutes, and forms the basis to issue an order to cease and desist against ADS pursuant to Section 36a-573(e) of the Connecticut General Statutes, effective June 19, 2015, and Section 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty against ADS pursuant to Section 36a-573(e) of the Connecticut General Statutes, effective June 19, 2015, and Section 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 ADS in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

4. ADS failed to deposit and maintain monies from Connecticut consumer debtors in a separate trust account, and commingled such funds with other funds of ADS, as more fully described in paragraphs 1 through 3, inclusive, and 5 through 14, inclusive, of the Matters Asserted, in violation of Section 36a-811(b) of the Connecticut General Statutes, in effect prior to October 1, 2016. Such violation constitutes sufficient grounds to revoke ADS' consumer collection agency license pursuant to Section 36a-804(a) of the Connecticut General Statutes, subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes, and Section 36a-51(c)(2) of the Connecticut General Statutes, and forms the basis to issue an order to cease and desist against ADS pursuant to Section 36a-804(b) of the Connecticut General Statutes and Section 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty against ADS pursuant to Section 36a-804(b) of the Connecticut General Statutes and Section 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 ADS in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

5. ADS charged Connecticut consumer debtors convenience fees, as more fully described in paragraphs 1 through 3, inclusive, 10 through 13, inclusive, and 17 of the Matters Asserted, in violation of Section 36a-805(a)(12) of the Connecticut General Statutes, in effect prior to October 1, 2016. Such violations constitute sufficient grounds to revoke ADS' consumer collection agency license pursuant to

Section 36a-804(a) of the Connecticut General Statutes, subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes, and Section 36a-51(c)(2) of the Connecticut General Statutes, and forms the basis to issue an order to cease and desist pursuant to Section 36a-804(b) of the Connecticut General Statutes and Section 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty against ADS pursuant to Section 36a-804(b) of the Connecticut General Statutes and Section 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 ADS in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

6. ADS failed to update its application on NMLS, as more fully described in paragraphs 1 through 3, inclusive, 14 and 15, in violation of Section 36a-801(e) of the Connecticut General Statutes, in effect prior to October 1, 2018. Such violations constitute sufficient grounds to revoke ADS' consumer collection agency license pursuant to Section 36a-804(a) of the Connecticut General Statutes, subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes, and Section 36a-51(c)(2) of the Connecticut General Statutes, and forms the basis to issue an order to cease and desist pursuant to Section 36a-804(b) of the Connecticut General Statutes and Section 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty against ADS pursuant to Section 36a-804(b) of the Connecticut General Statutes and Section 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 ADS in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

7. ADS' conduct, as more fully described in paragraphs 1 through 17, inclusive, of the Matters Asserted, renders the Commissioner unable to determine that the financial responsibility, character, reputation, integrity and general fitness of ADS are such to warrant belief that the business will be operated soundly and efficiently, in the public interest and consistent with the purposes of sections 36a-800 to 36a-814, inclusive, as required pursuant to Section 36a-801(c)(2) of Connecticut General Statutes. Such failure constitutes sufficient grounds for the Commissioner to revoke ADS' consumer collection agency license pursuant to Section 36a-804(a) of the Connecticut General Statutes, subsections (a) and (b) of

Section 36a-51 of the Connecticut General Statutes and Section 36a-51(c)(2) of the Connecticut General Statutes.

IV. NOTICE OF INTENT TO REVOKE CONSUMER COLLECTION AGENCY LICENSE, 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 ADS has engaged in acts or conduct which constitute sufficient grounds for the Commissioner to issue an order to revoke ADS' consumer collection agency license pursuant to Section 36a-804(a) of the Connecticut General Statutes, subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes, and Section 36a-51(c)(2) of the Connecticut General Statutes, and forms a basis to issue an order to cease and desist against ADS pursuant to Section 36a-804(b) of the Connecticut General Statutes, Section 36a-573(e) of the Connecticut General Statutes, effective June 19, 2015, and Section 36a-52(a) of the Connecticut General Statutes and to impose a civil penalty upon ADS pursuant to Section 36a-804(b) of the Connecticut General Statutes, Section 36a-573(e) of the Connecticut General Statutes, effective June 19, 2015, and Section 36a-50(a) of the Connecticut General Statutes;

AND WHEREAS, the Commissioner has reason to believe that PMS has engaged in acts or conduct which form a basis to issue an order to cease and desist against PMS pursuant to Section 36a-608(c) of the Connecticut General Statutes, Section 36a-804(b) of the Connecticut General Statutes, and Section 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty upon PMS pursuant to Section 36a-608(c) of the Connecticut General Statutes, Section 36a-804(b) of the Connecticut General Statutes and Section 36a-50(a) of the Connecticut General Statutes.

NOW THEREFORE, notice is hereby given to ADS that the Commissioner intends to issue an order to **REVOKE** ADS' consumer collection agency license in Connecticut, issue an order requiring ADS to **CEASE AND DESIST** from violating Section 36a-573 of the Connecticut General Statutes, effective June 19, 2015, including, but not limited to, enforcing such small loans by any means, Section 36a-801(e), Section 36a-805(a)(12) and Section 36a-811(b) of the Connecticut General Statutes, and to

impose a **CIVIL PENALTY** upon ADS as set forth herein, subject to ADS' right to a hearing on the allegations set forth above.

FURTHER, notice is hereby given to PMS that the Commissioner intends to issue an order requiring PMS to **CEASE AND DESIST** from violating Section 36a-597(a) and Section 36a-801(a) of the Connecticut General Statutes, and to impose a **CIVIL PENALTY** upon PMS as set forth herein, subject to PMS' right to a hearing on the allegations set forth above.

A hearing will be granted to each 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 each Respondents' receipt of this Notice of Intent to Revoke Consumer Collection Agency License, 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 subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes, and Sections 36a-52(a) and 36a-50(a) of the Connecticut General Statutes. This Notice of Intent to Revoke Consumer Collection Agency License, 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 any 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 25, 2019, 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 any Respondent fails to appear at the requested hearing. At such

hearing, each 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 ADS does not request a hearing within the time period prescribed or fails to appear at any such hearing, the allegations herein will be deemed admitted. Accordingly, the Commissioner will issue an order revoking ADS' consumer collection agency license in Connecticut, will issue an order that ADS cease and desist from violating Section 36a-573 of the Connecticut General Statutes, effective June 19, 2015, including, but not limited to, enforcing such small loans by any means, Section 36a-801(e), Section 36a-805(a)(12) and Section 36a-811(b) 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 ADS.

If PMS does not request a hearing within the time period prescribed or fails to appear at any such hearing, the allegations herein will be deemed admitted. Accordingly, the Commissioner will issue an order that PMS cease and desist from violating Section 36a-597(a) and Section 36a-801(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 PMS.

So ordered at Hartford, Connecticut
this ____ day of February 2019.

_____/s/_____
Jorge L. Perez
Banking Commissioner

CERTIFICATION

I hereby certify that on this 22nd day of February 2019, I caused to be mailed by certified mail, return receipt requested, the foregoing Notice of Intent to Revoke Consumer Collection Agency License, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing to Account Discovery Systems, LLC, 11 Pinchot Court, Suite 110, Amherst, NY 14228, Certified Mail No. 7014 2120 0000 3701 1603; Payment Management Services USA, LLC, 495 Commerce Drive, Suite 2, Amherst, NY 14228, Certified Mail No. 7014 2120 0000 3701 1597; and Eric M. Soehnlein, Esq., Lippes Mathias Wexler Friedman LLP, 50 Fountain Plaza, Suite 1700, Buffalo, NY 14202, Certified Mail No. 7014 2120 0000 3701 1580.

_____/s/_____
Emily B. Bochman
Paralegal