May 2, 2013

Frequently Asked Questions: DFI action against Morgan Drexen Inc.

What action was taken against Morgan Drexen?
On April 25, 2013, an Administrative Law Judge upheld a complaint filed against Morgan Drexen by the Wisconsin Department of Financial Institutions’ Division of Banking. The complaint alleged that Morgan Drexen was doing business as an adjustment service company in violation of Wis. Stat. § 218.02 and applicable rules. Morgan Drexen was ordered to pay $4,253,081.93 in restitution, $1,890,000 in forfeitures, and immediately cease and desist any and all violations of Wis. Stat. § 218.02 and Wis. Admin. Code § DFI-Bkg 73.

Why did DFI take this action?
The Department of Financial Institutions (DFI) took this action for two reasons:
• Morgan Drexen is not licensed as an adjustment service company and therefore is in violation of Wisconsin laws that require it to be licensed.
• Wisconsin consumers have paid Morgan Drexen fees that are far in excess of what is allowed under Wisconsin law.

How have Wisconsin consumers been hurt by Morgan Drexen’s business practices?
Morgan Drexen has violated Wis. Admin. Code § DFI-Bkg 73 by charging consumers a set-up fee of more than $25, and by charging monthly fees in excess of the lesser of 10% of the amount of money paid to the company to be distributed to a creditor or creditors or $120 in any one calendar month. Based on information presented at the hearing, Wisconsin consumers paid Morgan Drexen nearly $8.1 million between 2007 and January 2012. Less than half of that amount was paid to creditors on behalf of the consumers. The remaining $4.25 million – nearly 53% of the consumer payments – was paid as fees.

How many Wisconsin consumers have signed up for Morgan Drexen’s services?
At least 1,890.

If I am eligible for restitution, when will I receive my money?
Customers of Morgan Drexen should be aware that at this time DFI does not yet have restitution funds in its possession to distribute, and appeals and other court actions could substantially delay this process. Information about distribution of restitution to affected customers of Morgan Drexen will be made available at the appropriate time.

If I am currently paying Morgan Drexen for its services, what should I do?
Even though Morgan Drexen has been ordered to cease and desist its current operations, the company has the right to appeal the decision. If you are not sure what to do, you may want to consult an attorney.

Whom may I contact if I have additional questions?
Contact DFI by calling 608-264-7800.