



State of Wisconsin
Department of Financial Institutions

Scott Walker, **Governor**

Peter Bildsten, **Secretary**

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FOR IMMEDIATE RELEASE

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**Adjustment service firm ordered to pay
\$6.1 million in restitution, forfeitures**

MADISON – The Wisconsin Department of Financial Institutions (DFI) has ordered a California-based company to pay more than \$6.1 million in restitution and forfeitures and cease operations because it has violated state consumer protection laws.

DFI's Division of Banking ordered Morgan Drexen Inc. to pay \$4.25 million in restitution for fees it illegally charged Wisconsin consumers since 2007, forfeit \$1.89 million in penalties for committing at least 1,890 violations of Wisconsin's adjustment service company laws, and immediately cease and desist any and all violations of Wisconsin laws.

“Companies that violate consumer protection laws and prey on Wisconsin residents will not be allowed to do business in the state,” DFI Secretary Peter Bildsten said. “This administration and DFI are committed to upholding laws that protect consumers.”

Morgan Drexen provides debt settlement services to people nationwide, including in Wisconsin. Under Wisconsin law, companies that negotiate with creditors on behalf of debtors – for consideration – must obtain a license, file certain disclosures with the Division of Banking, and limit the amount of fees they charge from debtors. In its complaint, the Division of Banking alleged that Morgan Drexen was operating an unlicensed adjustment service company in violation of Wis. Stat. § 218.02. Morgan Drexen has never obtained a license from the Division of Banking, and the company charges fees far in excess of what is permitted under Wisconsin law.

According to the complaint, 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.

Morgan Drexen responded to the complaint by asserting that it does not need a license because, rather than being a debt settlement company, it is a paralegal and administrative support firm that works for attorneys.

That assertion was rejected by an Administrative Law Judge, who concluded that Morgan Drexen is, in fact, an adjustment service company that must obtain a license under Wis. Stat. §

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218.02 and comply with applicable rules. The judge rejected Morgan Drexen's claim and held that "substantial evidence supports the Division's position that Morgan Drexen is not the lawyers' agent, that Morgan Drexen is the principal, and that Morgan Drexen's attorney model is, both in execution and intention, a pretense designed to evade regulation under Wis. Stat. § 218.02."

At the request of DFI, the Department of Justice represented the Division at the administrative hearing. Assistant Attorneys General Lara Sutherlin and Lewis Beilin litigated the matter on behalf of the Division.

Morgan Drexen has 30 days to comply with the monetary portions of the order, which was issued April 25, 2013. The company also has the right to appeal the decision to a Wisconsin circuit court.

Morgan Drexen customers should be aware that at this time DFI does not yet have restitution funds in its possession to distribute. Information about distribution of restitution to affected customers of Morgan Drexen will be made available at the appropriate time.

A copy of the judge's decision and order and a list of frequently asked questions may be found on DFI's website at www.wdfi.org. Consumers who have additional questions may call DFI at 608-264-7800.

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