
 *
IN THE MATTER OF: *
 *
ACCOUNT DISCOVERY *
SYSTEMS, LLC *
NMLS# 937608 *
(“ADS”) *
 *
PAYMENT MANAGEMENT *
SERVICES USA, LLC *
(“PMS”) *
 *
 (collectively, **“Respondents”**) *
 *

CONSENT ORDER

WHEREAS, 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”), 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”;

WHEREAS, ADS is a New York limited liability company which was licensed to act as a consumer collection agency in Connecticut from November 8, 2012 to January 1, 2019, and which operated from offices at 495 Commerce Drive, Suite 2, Amherst, New York and 11 Pinchot Court, Suite 110, Amherst, New York;

WHEREAS, PMS is a New York limited liability company which operated from the same locations as ADS;

WHEREAS, at all times relevant hereto, John H. Chebat, NMLS # 952462 (“Chebat”) has been the President and sole owner of ADS and PMS;

WHEREAS, the Commissioner, through the Consumer Credit Division of the Department of Banking, conducted an investigation and examination from August 17, 2015 to October 26, 2016 (“2016 Examination”), pursuant to Sections 36a-17 and 36a-806(a) of the Connecticut General Statutes, into the activities of Respondents to determine if they had violated, were violating or were about to violate the provisions of the Connecticut General Statutes and Regulations within the jurisdiction of the Commissioner;

WHEREAS, as a result of the 2016 Examination, on February 21, 2019, the Commissioner issued a 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 against Respondents (“Notice”);

WHEREAS, the Commissioner alleged in the Notice that ADS collected or received payments on at least one small loan made by a person who had not obtained a small loan license, in violation of Section 36a-573 of the Connecticut General Statutes, effective June 19, 2015; failed to deposit and maintain monies from Connecticut consumer debtors in a separate trust account, and commingled such funds with other funds of ADS, in violation of Section 36a-811(b) of the Connecticut General Statutes, in effect prior to October 1, 2016; charged Connecticut consumer debtors convenience fees, in violation of Section 36a-805(a)(12) of the Connecticut General Statutes, in effect prior to October 1, 2016; and failed to update its application on the Nationwide Multistate Licensing System and Registry (“NMLS”), in violation of Section 36a-801(e) of the Connecticut General Statutes, in effect prior to October 1, 2018;

WHEREAS, the Commissioner further alleged in the Notice that ADS’ conduct 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 the Connecticut General Statutes;

WHEREAS, the Commissioner asserts that the allegations made in the Notice against ADS constitute sufficient grounds for the Commissioner revoke ADS' consumer collection agency license in Connecticut 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 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;

WHEREAS, the Commissioner further alleges in the Notice that PMS acted as a consumer collection agency within Connecticut without the required license, in violation of Section 36a-801(a) of the Connecticut General Statutes, in effect prior to October 1, 2016, and engaged in the business of money transmission in Connecticut without the required license, in violation of Section 36a-597(a) of the Connecticut General Statutes, in effect prior to October 1, 2018;

WHEREAS, the Commissioner asserts that the allegations made in the Notice against PMS form a basis to issue an order to cease and desist against PMS pursuant to Sections 36a-608(c), 36a-804(b) and 36a-52(a) of the Connecticut General Statutes, and to impose a civil penalty upon PMS pursuant to Sections 36a-608(c), 36a-804(b) and 36a-50(a) of the Connecticut General Statutes;

WHEREAS, on February 22, 2019, the Notice was mailed by certified mail, return receipt requested, to ADS and PMS;

WHEREAS, on March 13, 2019, the Department received an Appearance and Request for Hearing from Respondents;

WHEREAS, Section 4-177(c) of the Connecticut General Statutes and Section 36a-1-55(a) of the Regulations of Connecticut State Agencies provide that a contested case may be resolved by consent order, unless precluded by law;

WHEREAS, the Commissioner, ADS, PMS and Chebat acknowledge the possible consequences of formal administrative proceedings, and ADS, PMS and Chebat voluntarily agree to consent to the entry of the sanctions imposed below for the purpose of obviating the need for formal administrative proceedings concerning the allegations set forth herein;

WHEREAS, the Commissioner, ADS, PMS and Chebat now desire to resolve the matters contained in the Notice and set forth herein;

WHEREAS, the Commissioner, ADS, PMS and Chebat agree that the Notice may be used in construing the terms of this Consent Order;

WHEREAS, ADS, PMS and Chebat specifically assure the Commissioner that the violations alleged herein shall not occur in the future;

WHEREAS, ADS, PMS and Chebat acknowledge that this Consent Order is a public record and is a reportable event for purposes of the regulatory disclosure questions on NMLS;

WHEREAS, Chebat, through his execution of this Consent Order, voluntarily agrees to waive his procedural rights, including a right to a notice and an opportunity for a hearing as it pertains to the allegations set forth herein, and voluntarily waives his right to seek judicial review or otherwise challenge or contest the validity of this Consent Order;

AND WHEREAS, ADS and PMS, through their execution of this Consent Order, voluntarily agree to waive their procedural rights, including a right to a hearing as it pertains to the allegations contained in the Notice and set forth herein, and voluntarily waive their right to seek judicial review or otherwise challenge or contest the validity of this Consent Order.

CONSENT TO ENTRY OF SANCTIONS

WHEREAS, ADS, PMS and Chebat, through their execution of this Consent Order, consent to the Commissioner's entry of a Consent Order imposing the following sanctions:

1. Respondents shall remit to the Department of Banking by wire transfer, cashier's check, certified check or money order made payable to "Treasurer, State of Connecticut", the sum of Fifty Thousand Dollars (\$50,000) as a civil penalty in two equal installments as follows: (a) the first payment of Twenty-Five Thousand Dollars (\$25,000) shall be due no later than the date this Consent Order is executed by Respondents; and (b) a second and final payment of Twenty-Five Thousand Dollars (\$25,000) shall be due no later than October 15, 2019;
2. In the event that Respondents fail to timely remit any of the payments required pursuant to paragraph (1) above, ADS's license to act as a consumer collection agency in Connecticut shall be **SUMMARILY REVOKED**, without any further notice or opportunity for hearing;
3. For a period of five (5) years commencing on the date this Consent Order is issued by the Commissioner, John H. Chebat, NMLS # 952462, shall be prohibited from acting as a director, manager, owner, supervisor, control person or qualified individual of any entity acting directly as a consumer collection agency in Connecticut, or acting indirectly in such capacity through a third-party entity, or being involved, directly or indirectly, in the collection of any consumer debt in Connecticut;
4. ADS shall immediately cease and desist from violating: (a) Sections 36a-555 to 36a-573, inclusive, of the Connecticut General Statutes, including, but not limited to, collecting or receiving payments on small loans made by persons who have not obtained the required small loan license; (b) Section 36a-811(b) of the Connecticut General Statutes, including, but not limited to, failing to deposit and maintain monies from Connecticut consumer debtors in a separate trust account, and commingling funds; (c) Section 36a-805(a)(12) of the Connecticut General Statutes, including, but not limited to, charging Connecticut consumer debtors convenience fees; and (d) Section 36a-801(e) of the Connecticut General Statutes, including, but not limited to, failing to update its application on NMLS; and
5. PMS shall immediately cease and desist from acting, directly or indirectly, as a consumer collection agency in Connecticut without the required license, in violation of Section 36a-801(a) of the Connecticut General Statutes, and engaging in the business of money transmission in Connecticut without the required license, in violation of Section 36a-597(a) of the Connecticut General Statutes.

CONSENT ORDER

NOW THEREFORE, the Commissioner enters the following:

1. The Sanctions set forth above be and are hereby entered;
2. Upon issuance of this Consent Order by the Commissioner, this matter will be resolved and the Commissioner will not take any future enforcement action against ADS, PMS and Chebat

based upon the allegations contained herein; provided that issuance of this Consent Order is without prejudice to the right of the Commissioner to take enforcement action against ADS, PMS and Chebat based upon a violation of this Consent Order or the matters underlying its entry, if the Commissioner determines that compliance with the terms herein is not being observed or if any representation made by ADS, PMS or Chebat and reflected herein is subsequently discovered to be untrue;

3. ADS, PMS and Chebat shall not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation referenced in this Consent Order or create the impression that this Consent Order is without factual basis;
4. This Consent Order shall be binding upon Chebat, ADS, and PMS and their successors and assigns; and
5. This Consent Order shall become final when issued.

Issued at Hartford, Connecticut
this 17th day of September 2019.

Jorge L. Perez
Banking Commissioner

I, John Chebat, state on behalf of Account Discovery Systems, LLC that I have read the foregoing Consent Order; that I know and fully understand its contents; that I am authorized to execute this Consent Order on behalf of Account Discovery Systems, LLC; that Account Discovery Systems, LLC agrees freely and without threat or coercion of any kind to comply with the sanctions entered herein; and that Account Discovery Systems, LLC voluntarily agrees to enter into this Consent Order, expressly waiving the procedural rights set forth herein as to the matters described herein.

By: _____
Name: John Chebat
Title: CEO
Account Discovery Systems, LLC

State of: New York

County of: Erie

On this the 16 day of September 2019, before me, _____, the undersigned officer, personally appeared John Chebat who acknowledged himself to be the Member/CEO of Account Discovery Systems, LLC, a member managed/manager managed limited liability company, and that he/she as such Member/CEO, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the limited liability company by himself/herself as Member/CEO.

In witness whereof I hereunto set my hand.

Notary Public
Date Commission Expires: Oct. 15, 2022

I, John Chebat, state on behalf of Payment Management Services, LLC that I have read the foregoing Consent Order; that I know and fully understand its contents; that I am authorized to execute this Consent Order on behalf of Payment Management Services, LLC; that Payment Management Services, LLC agrees freely and without threat or coercion of any kind to comply with the sanctions entered herein; and that Payment Management Services, LLC voluntarily agrees to enter into this Consent Order, expressly waiving the procedural rights set forth herein as to the matters described herein.

By: _____

Name: John Chebat
Title: CEO
Payment Management Services, LLC

State of: New York

County of: Erie

On this the 16 day of September 2019, before me, _____, the undersigned officer, personally appeared John Chebat who acknowledged himself/herself to be the Member/CEO of Payment Management Services, LLC, a member managed/manager managed limited liability company, and that he/she as such Member/CEO, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the limited liability company by himself/herself as Member/CEO.

In witness whereof I hereunto set my hand.

Notary Public
Date Commission Expires: Oct. 15, 2022

I, John H. Chebat, state that I have read the foregoing Consent Order; that I know and fully understand its contents; that I agree freely and without threat or coercion of any kind to comply with the sanctions of this Consent Order; and that I voluntarily agree to enter into this Consent Order, expressly waiving the procedural rights set forth herein as to the matters described herein.

By: _____
John H. Chebat

State of: New York

County of: Erie

On this the 16 day of September 2019, before me, _____, the undersigned officer, personally appeared John H. Chebat, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same for the purposes therein contained.

In witness whereof I hereunto set my hand.

Notary Public
Date Commission Expires: Oct. 15, 2022