



## PLATINUM EQUITY-OWNED TRANSWORLD SYSTEMS FINED \$2.5 MILLION FOR ILLEGAL STUDENT DEBT COLLECTION LAWSUITS, DRAWS THOUSANDS OF CONSUMER COMPLAINTS

Since Platinum Equity acquired Transworld Systems in November 2014, the company has drawn more than 4,600 complaints from consumers submitted to the Consumer Financial Protection Bureau.



### PLATINUM EQUITY ACQUISITION OF TRANSWORLD SYSTEMS

Private equity firm Platinum Equity acquired debt collector Transworld Systems in November 2014 from business process outsourcing firm Expert Global Solutions.<sup>7</sup>

Eva Kalawski and Mary Ann Sigler of Platinum Equity served on Transworld Systems' board from at least 2015 through 2017.<sup>8</sup> Mary Ann Sigler is Platinum Equity's Chief Financial Officer and Chief Compliance Officer.<sup>9</sup> Eva Kalawski was Platinum Equity's General Counsel.<sup>10</sup>

At acquisition, Jacob Kotzubei of Platinum Equity cited Transworld Systems' "strong culture of compliance."<sup>11</sup> Despite Mr. Kotzubei's comment, the company had been fined millions of dollars just a year prior by the Federal Trade Commission for its collection practices.<sup>12</sup>

### TRANSWORLD SYSTEMS FINED \$2.5 MILLION BY THE CONSUMER FINANCIAL PROTECTION BUREAU

In September 2017, the Consumer Financial Protection Bureau (CFPB) fined Transworld Systems \$2.5 million for illegal student loan debt collection lawsuits.<sup>13</sup> The actions by Transworld Systems that led to the CFPB fine occurred between November 2014 and April 2016 – while it was

### KEY POINTS

- Private equity firm Platinum Equity acquired debt collector Transworld Systems in November 2014 from business process outsourcing firm Expert Global Solutions.<sup>1</sup>
- Eva Kalawski and Mary Ann Sigler of Platinum Equity served on Transworld Systems' board from at least 2015 through 2017.<sup>2</sup> At acquisition, Jacob Kotzubei of Platinum Equity cited Transworld Systems' "strong culture of compliance."<sup>3</sup>
- In September 2017, the Consumer Financial Protection Bureau (CFPB) fined Transworld Systems \$2.5 million for illegal student loan debt collection lawsuits, actions taken during the period it was owned by Platinum Equity.<sup>4</sup>
- Specifically, the CFPB alleged that Transworld Systems: Sued consumers for debts their clients could not prove were owed, Filed false and misleading affidavits
- Since Platinum Equity acquired Transworld Systems in November 2014, the company has drawn more than 4,600 complaints from consumers submitted to the Consumer Financial Protection Bureau.
- In July 2013, prior to its acquisition by Platinum Equity, Transworld Systems parent Expert Global Solutions agreed to pay a \$3.2 million civil penalty to settle charges by the Federal Trade Commission (FTC) that it violated consumers' rights when attempting to collect debts.
- In its 2013 complaint, the FTC charged that the companies violated the Fair Debt Collection Practices Act and the FTC Act by using tactics such as calling consumers multiple times per day, calling even after being asked to stop, calling early in the morning or late at night, calling consumers' workplaces despite knowing that the employers prohibited such calls, and leaving phone messages that disclosed the debtor's name, and the existence of the debt, to third parties.<sup>5</sup>
- According to the FTC's complaint, the companies also continued collection efforts without verifying the debt, even after consumers said they did not owe it.<sup>6</sup>

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owned by Platinum Equity and while Ms. Kalewski and Ms. Sigler of Platinum Equity served on Transworld Systems' board.<sup>14</sup>

The CFPB filed a complaint against Transworld Systems and its client, the National Collegiate Student Loan Trusts.<sup>15</sup>

The National Collegiate Student Loan Trusts (NCSLT) are 15 Delaware statutory trusts that owned more than 800,000 private student loans. The trusts have no employees but instead use service providers to interact with consumers about their loans. Transworld Systems employees completed, signed, and notarized sworn legal documents for collections lawsuits brought on behalf of the trusts, according to the CFPB. Transworld Systems hired a national network of law firms to file and prosecute collections lawsuits on behalf of the trusts in courts across the country.<sup>16</sup>

According to the CFPB, consumers were sued for private student loan debt that the companies couldn't prove was owed or was too old to sue over. These lawsuits relied on the filing of false or misleading legal documents.<sup>17</sup>

## Specifically, the CFPB alleged that the companies, including Transworld Systems:

- **Sued consumers for debts the trusts could not prove were owed –**

According to the Transworld Systems consent order with the CFPB, from November 1, 2014, law firms hired by Transworld Systems had filed hundreds of debt collections lawsuits without the documentation necessary to prove trust ownership of the loans.<sup>18</sup>

- **Filed false and misleading affidavits –** According to the consent order, Transworld executed affidavits that falsely claimed personal knowledge of the account records and the consumer's debt, and in many cases, personal knowledge of the chain of assignments establishing ownership of the loans.<sup>19</sup>

According to the consent order, "In some instances, certain affiants complained to supervisors that they did not have personal knowledge of the representations made by the affidavits. These affiants continued to execute affidavits, however, for fear of losing their jobs."<sup>20</sup>

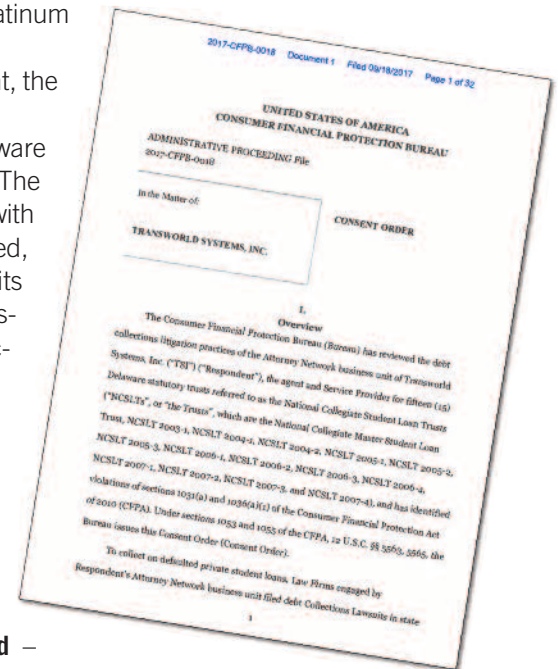
The CFPB also alleged that the National Collegiate Student Loan Trusts filed at least 486 collections lawsuits after the applicable statute of limitations on the debt collection had expired.<sup>21</sup>

## FOLLOWING PLATINUM EQUITY ACQUISITION, TRANSWORLD SYSTEMS DRAWS MORE THAN 4,600 CONSUMER COMPLAINTS

Since Platinum Equity acquired Transworld Systems in November 2014, the company has drawn more than 4,600 complaints from consumers submitted to the Consumer Financial Protection Bureau's consumer complaint database.<sup>22</sup>

The number of consumer complaints filed against Transworld Systems has not declined during the period that Platinum Equity has owned the debt collector. Transworld Systems drew 1,072 consumer complaints last year versus 1,030 in 2018, the first full year that Platinum Equity owned the company.<sup>23</sup>

312 of the consumers who made complaints regarding Transworld Systems listed themselves as "Older American." 522 listed themselves as servicemembers in the US military.<sup>24</sup>



*“Certain affiants complained to supervisors that they did not have personal knowledge of the representations made by the affidavits. These affiants continued to execute affidavits, however, for fear of losing their jobs.”*

Transworld Systems consent order, September 2017

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P4 Headset

Of the consumer complaints against Transworld Systems, 1,119 relate to attempts by the company to collect on student loan debt. Another 1,371 complaints relate to Transworld Systems collections of medical debt.<sup>25</sup>

## **Complaint 2945494, filed June 25, 2018, re private student loan debt collection:**

“On XX/XX/2018 I called to attempt to settle my debt with XXXX XXXX. The agent was polite at first and outlined options for what I could do to pay. I informed her that I did not have the money now, but would have it in XX/XX/XXXX. She was aggressive about me paying, and then attempted to get me to pay some amount today. I informed her that I would need to speak to my wife and see our financial situation before making any such action. At that point, the agent became very rude and used aggressive language “You have a history of making promises and never delivering” and repeatedly cutting me off, even as I strove to continue being polite and explaining myself. When I asked to speak to a manager or other personnel, she refused to put me in contact, repeatedly stating that they were at lunch ( at XXXX EST ) and could not be reached via voicemail. She then explained that she was not even the agent in charge of the call but that I did not have a choice in the matter, that I got whoever I got, and that if I did not pay today, there would not be a chance for a settlement.”

## **Complaint 3097451, filed December 11, 2018, re private student loan debt collection:**

“On XX/XX/18 XXXX and XXXX XXXX received a phone call from a representative of a collection agent stating I XXXX XXXX am 18 months behind in payments therefore they must collect {\$20000.00} from Mr and Mrs XXXX immediately. I have not received any correspondence from any company. Upon calling the number provided to me by my parents of XXXX I immediately got a voicemail stating I had reached Transworld Systems Inc. the voicemail requested acct number, name and social security number. The representative who called my parents threatened to continue calling them until they receive the full amount via wire transfer. The rep was advised of medical concerns of the elderly parents and they stated they would continue to call. I do not know who they are representing or what is owed.”

## **COMPLAINTS BY YEAR**

<b>YEAR</b>	<b>COMPLAINTS FILED</b>
2018	1,072
2017	1,116
2016	946
2015	1,030

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## Complaint 2389477, filed March 15, 2017:

“I lost my job as a XXXX at local XXXX because this creditor kept calling and calling. Left voicemails for me on a public non secure line with SENSITIVE information, was ultimately fired bc they didn't stop calling despite my request.

New employment, they just found me again and contacted me three times this week at this office. I am in jeopardy again of the same situation.”

## Complaint 2722269, filed November 7, 2017, re private student loan debt collection:

“XXXX XXXX ( XXXX XXXX XXXX ) contacted me about an alleged debt. I responded with a debt validation letter requesting several items. They sent me two of the things I asked for. I responded telling them that they did not provide what I asked and that if they did not provide it, I would assume that they did not have the right to collect on it. They did not respond. Instead, they sued me. I know they are currently barred by the CFPB in regard to filing suits in which they do not have proper paperwork but yet they are still doing it.”

Consumers who filed complaints against Transworld Systems with the CFPB gave a variety of reasons (see Appendix A). Most commonly, consumers claimed that the debt was not theirs (987 complaints) or that the debt was paid (661 complaints).

27 consumers reported that Transworld Systems representatives had used obscene, profane, or abusive language.

278 consumers complained of “frequent or repeated calls.” Another 61 noted that Transworld Systems “Threatened or suggested [their] credit would be damaged.”

23 consumers reported that Transworld Systems had sued them without properly notifying them of the lawsuit.

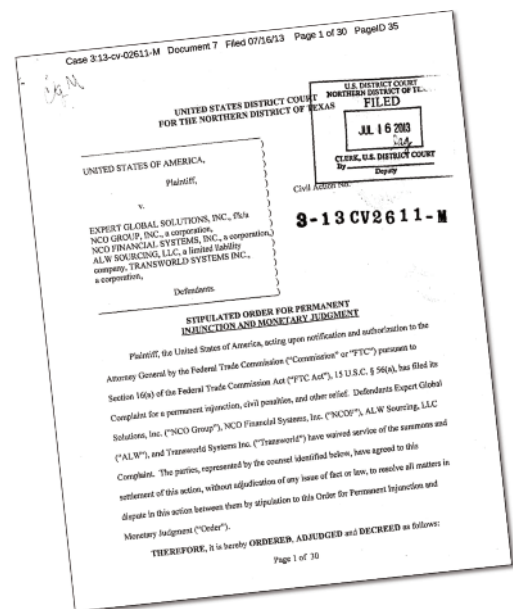
12 consumers complained that Transworld Systems had “Called outside of 8am-9pm.”

Another 12 consumers reported that Transworld Systems had contacted their employers after being asked not to.

## 2013 FEDERAL TRADE COMMISSION SETTLEMENT

Transworld Systems' 2017 settlement with the Consumer Financial Protection Bureau was not the firm's first settlement with the federal government regarding its business practices.

In July 2013, prior to its acquisition by Platinum Equity, Transworld Systems parent Expert Global Solutions agreed



to pay a \$3.2 million civil penalty to settle charges by the Federal Trade Commission (FTC) that it violated consumers' rights when attempting to collect debts, in what the FTC then said it was the largest settlement ever obtained from a third-party collection firm.

In its complaint, the FTC charged that the companies violated the Fair Debt Collection Practices Act and the FTC Act by using tactics such as calling consumers multiple times per day, calling even after being asked to stop, calling early in the morning or late at night, calling consumers' workplaces despite knowing that the employers prohibited such calls, and leaving phone messages that disclosed the debtor's name, and the existence of the debt, to third parties. According to the FTC's complaint, the companies also continued collection efforts without verifying the debt, even after consumers said they did not owe it.

## EXPANSION OF TRANSWORLD SYSTEMS DESPITE LEGAL TROUBLES, CONSUMER COMPLAINTS

Despite legal troubles and consumer complaints, Transworld Systems has expanded significantly since its 2014 acquisition by Platinum Equity.

In March 2019, Transworld Systems announced that it would acquire Altisource Financial Services, including Nationwide Credit, Inc. (NCI), a provider of collections, customer relationship management and call center outsourcing for financial, retail credit, mortgage servicing, insurance, utility, and hospitality industries.

In June 2019, Transworld Systems announced it had acquired NCC Business Services, a debt collector for the property management and multi-housing industries.



# Platinum Equity-owned Transworld Systems

## APPENDIX A – ISSUES/ REASONS PROVIDED FOR CONSUMER COMPLAINTS AGAINST TRANSWORLD SYSTEMS

### ISSUE/ REASON FOR COMPLAINT

Debt was paid	661
Debt is not mine	587
Debt is not yours	400
Attempted to collect wrong amount	327
Not given enough info to verify debt	295
Didn't receive enough information to verify debt	285
Frequent or repeated calls	278
Didn't receive notice of right to dispute	108
Right to dispute notice not received	97
Received bad information about my loan	77
Don't agree with fees charged	69
Received bad information about your loan	67
Threatened or suggested your credit would be damaged	61
You told them to stop contacting you, but they keep trying	58
Can't get flexible payment options	57
Debt was result of identity theft	55
Having problems with customer service	54
Trouble with how payments are being handled	53
Talked to a third party about my debt	53
Trouble with how payments are handled	50
Can't get other flexible options for repaying your loan	48
Threatened to take legal action	41
Debt resulted from identity theft	40
Not disclosed as an attempt to collect	40
Account status incorrect	36
Need information about my balance/terms	36
Account information incorrect	33
Can't decrease my monthly payments	30
Keep getting calls about my loan	30
Debt was discharged in bankruptcy	27
Contacted me after I asked not to	27
Need information about your loan balance or loan terms	27
Their investigation did not fix an error on your report	26
Debt was already discharged in bankruptcy and is no longer owed	26
Threatened to sue you for very old debt	25
Sued you without properly notifying you of lawsuit	23
Problem with customer service	22
Information belongs to someone else	21
Don't agree with the fees charged	20
Can't temporarily postpone payments	18
Used obscene/profane/abusive language	18
Called after sent written cease of comm	17
Attempted to/Collected exempt funds	14
Called outside of 8am-9pm	12
Notification didn't disclose it was an attempt to collect a debt	12
Threatened to sue on too old debt	12
Talked to a third-party about your debt	12
Indicated committed crime not paying	12
Contacted employer after asked not to	12

### ISSUE/ REASON FOR COMPLAINT

Can't temporarily delay making payments	11
Impersonated attorney, law enforcement, or government official	10
Fraudulent loan	10
Sued w/o proper notification of suit	10
Used obscene, profane, or other abusive language	9
Contacted you after you asked them to stop	9
Old information reappears or never goes away	9
Can't qualify for a loan	7
Problem lowering your monthly payments	7
Difficulty submitting a dispute or getting information about a dispute over the phone	6
Seized or attempted to seize your property	6
Collected or attempted to collect exempt funds	6
Indicated you were committing crime by not paying debt	6
Seized/Attempted to seize property	5
Keep getting calls about your loan	5
Called before 8am or after 9pm	5
Contacted your employer	5
Was not notified of investigation status or results	5
Account status	5
Public record information inaccurate	4
Impersonated an attorney or official	4
Contacted me instead of my attorney	4
Qualify for a better loan than offered	4
Indicated shouldn't respond to lawsuit	4
Sued where didn't live/sign for debt	4
Problem with personal statement of dispute	3
Billing dispute for services	3
Credit inquiries on your report that you don't recognize	3
Reporting company used your report improperly	2
Other problem	2
Told you not to respond to a lawsuit they filed against you	2
Information is missing that should be on the report	2
Information is not mine	2
Investigation took more than 30 days	2
Threatened arrest/jail if do not pay	2
Denied loan	1
Report improperly shared by CRC	1
Can't close your account	1
Problem with the interest rate	1
Confusing or misleading advertising about the credit card	1
Threatened to arrest you or take you to jail if you do not pay	1
Account terms	1
Contacted you instead of your attorney	1
Problem while selling or giving up the vehicle	1
Didn't receive services that were advertised	1
Personal information incorrect	1
Problem during payment process	1
Billing problem	1

# Platinum Equity-owned Transworld Systems

## Endnotes

- <sup>1</sup>“Platinum Equity Completes Transworld Systems Acquisition,” Media release, Nov 3, 2014.
- <sup>2</sup>Transworld Systems Foreign Corporation Information Update, Michigan Dept of Licensing and Regulatory Affairs, 2015-2017.
- <sup>3</sup>“Platinum Equity Completes Transworld Systems Acquisition,” Media release, Nov 3, 2014.
- <sup>4</sup>“CFPB Takes Action Against National Collegiate Student Loan Trusts, Transworld Systems for Illegal Student Loan Debt Collection Lawsuits,” Media release, Sept 18, 2017.
- <sup>5</sup>“World’s Largest Debt Collection Operation Settles FTC Charges, Will Pay \$3.2 Million Penalty,” Media release, Jul 9, 2013.
- <sup>6</sup>“World’s Largest Debt Collection Operation Settles FTC Charges, Will Pay \$3.2 Million Penalty,” Media release, Jul 9, 2013.
- <sup>7</sup>“Platinum Equity Completes Transworld Systems Acquisition,” Media release, Nov 3, 2014.
- <sup>8</sup>Transworld Systems Foreign Corporation Information Update, Michigan Dept of Licensing and Regulatory Affairs, 2015-2017.
- <sup>9</sup><https://www.platinumequity.com/leadership/mary-ann-sigler>, accessed Jul 13, 2019.
- <sup>10</sup>“Platinum Equity Hires Kris Agarwal as General Counsel,” Media release, Jul 1, 2018.
- <sup>11</sup>“Platinum Equity Completes Transworld Systems Acquisition,” Media release, Nov 3, 2014.
- <sup>12</sup>“World’s Largest Debt Collection Operation Settles FTC Charges, Will Pay \$3.2 Million Penalty,” Media release, Jul 9, 2013.
- <sup>13</sup>“CFPB Takes Action Against National Collegiate Student Loan Trusts, Transworld Systems for Illegal Student Loan Debt Collection Lawsuits,” Media release, Sept 18, 2017.
- <sup>14</sup>Transworld Systems consent order, Sept 18, 2017.
- <sup>15</sup>“CFPB Takes Action Against National Collegiate Student Loan Trusts, Transworld Systems for Illegal Student Loan Debt Collection Lawsuits,” Media release, Sept 18, 2017.
- <sup>16</sup>“CFPB Takes Action Against National Collegiate Student Loan Trusts, Transworld Systems for Illegal Student Loan Debt Collection Lawsuits,” Media release, Sept 18, 2017.
- <sup>17</sup>“CFPB Takes Action Against National Collegiate Student Loan Trusts, Transworld Systems for Illegal Student Loan Debt Collection Lawsuits,” Media release, Sept 18, 2017.
- <sup>18</sup>Transworld Systems consent order, Sept 18, 2017.
- <sup>19</sup>Transworld Systems consent order, Sept 18, 2017.
- <sup>20</sup>Transworld Systems consent order, Sept 18, 2017.
- <sup>21</sup>“CFPB Takes Action Against National Collegiate Student Loan Trusts, Transworld Systems for Illegal Student Loan Debt Collection Lawsuits,” Media release, Sept 18, 2017.
- <sup>22</sup>CFPB Consumer Complaint Database, accessed Jul 9, 2019.
- <sup>23</sup>CFPB Consumer Complaint Database, accessed Jul 9, 2019.
- <sup>24</sup>CFPB Consumer Complaint Database, accessed Jul 9, 2019.
- <sup>25</sup>CFPB Consumer Complaint Database, accessed Jul 9, 2019.
- <sup>26</sup>“World’s Largest Debt Collection Operation Settles FTC Charges, Will Pay \$3.2 Million Penalty,” Media release, Jul 9, 2013.
- <sup>27</sup>“World’s Largest Debt Collection Operation Settles FTC Charges, Will Pay \$3.2 Million Penalty,” Media release, Jul 9, 2013.
- <sup>28</sup>“Transworld Systems Inc. Agrees to Acquire Altisource Portfolio Solutions S.A.’s Financial Services Business,” Media release, Mar 29, 2019.
- <sup>29</sup>“Transworld Systems Inc. Acquires NCC Business Services,” Media release, June 3, 2019.