

New York Enacts Law Prohibiting the Collection of Coerced Debt

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New York State has enacted a law prohibiting creditors from collecting a “coerced debt,” which is a consumer debt incurred as a result of economic abuse, including but not limited to, by means of fraud, duress, intimidation, threat, force, coercion, manipulation, undue influence, or the non-consensual use of the debtor’s personal information. The law is designed to protect the survivors of domestic violence and others who have become victims of economic abuse.

If a debt is determined to be coerced, then the creditor must cease collection of the debt and notify consumer reporting agencies to delete information regarding the debt. The creditor will then have a cause of action against the party who caused the debtor to incur the debt.

The [new law](#) is set forth in new General Business Law Article 29-HHH and takes effect on March 19, 2026. A summary of the law is set forth below.

I. Key Definitions

“**Adequate documentation of a coerced debt**” means documentation that identifies a particular debt, or a portion thereof, as coerced debt, describes the circumstances under which such coerced debt was incurred, and takes the form of any of the following:

1. A police report;
2. A federal trade commission identity theft report that identifies a particular debt, or portion thereof, as a coerced debt;
3. An order from a court of competent jurisdiction setting forth findings of coerced debt; or
4. A written verification, from a qualified third party to whom the debtor reported the coerced debt, which shall be satisfied by any sworn or notarized statement including the required information as well as the name, mailing address, and email address or telephone number, as applicable, of such qualified third party's employer or, if self-employed, of such qualified third party.

“**Coerced debt**” is defined as a debt incurred as a result of economic abuse, including but not limited to, by means of fraud, duress, intimidation, threat, force, coercion, manipulation, or undue influence, the non-consensual use of the debtor’s personal information.

“Creditor” is defined as any person, firm, corporation or organization to whom a debt is owed, due, or asserted to be due or owed, or any assignee for value of said person, firm, corporation or organization, including any debt collection agency or debt collector; provided, however, that "creditor" shall not include a person to whom a debt is allegedly owed, due, or asserted to be due or owed, where the person asserting such claim caused the debt to arise by engaging in one or more acts of coercion against the debtor.

“Debt” is defined as any obligation or alleged obligation of a consumer to pay money arising out of a transaction in which the money, property, insurance, rental arrears owed for use and occupancy of a dwelling, or services which are the subject of such transaction are primarily for personal, family, or household purposes, whether or not such obligation has been reduced to a judgment.

“Debtor” is defined as any natural person who owes or who is asserted to owe a debt.

“Economic abuse” is defined as, in the context of intimate relationships or relationships between family or household members as defined by section 459-a of the Social Services Law, relationships between victims of human trafficking and traffickers, or relationships between children, the elderly, or individuals eligible for protective services under subdivision one of section 473 of the Social Services Law, and their caregivers, behavior that is coercive, deceptive, manipulative, or that controls, restrains, or sabotages a person's ability to acquire, use, or maintain economic resources to which they are entitled, including but not limited to using coercion, fraud, or manipulation to:

1. Restrict a person's access to money, assets, credit, or financial information;
2. Unfairly use a person's personal information or personal economic resources, including money, assets, and/or credit; or
3. Exert undue influence over a person's financial and economic behavior or decisions, including but not limited to forcing default on joint or other financial obligations, exploiting powers of attorney, guardianship, or conservatorship, or failing or neglecting to act in the best interests of a person to whom one has a fiduciary duty.

II. Notice of Coerced Debt

The new law creates a formal process for a debtor to notify a creditor that a particular account, or a portion of it, is coerced debt. Once the debtor submits both: (1) adequate documentation of a coerced debt; and (2) a sworn statement identifying the debt as coerced, the creditor must immediately cease collection activity until it completes its review.

Within 10 business days of receiving the required information to conduct its review, the creditor must, if such creditor furnishes adverse information about the debtor to a consumer reporting agency, notify such consumer reporting agency that the account is disputed. In addition, within 30 business days of receiving the information, the creditor must complete a review considering all information provided by the debtor and other information available to the creditor in the creditor's file. During this process the creditor may not contact the alleged abuser, must use only the contact information supplied by the debtor, and may not disclose the debtor's documentation or contact information to third parties (including joint accountholders) without the debtor's written consent.

Within five business days of completing the review, a creditor who recommences collection activities based on such review must (1) notify the debtor in writing of the creditor's determination and the good faith basis for such determination; and (2) enclose all documents and information upon which the creditor bases its determination (provided, however, such documentation does not include personally identifiable information of another person). Such written notice must also include a notice of the debtor's right to request reconsideration.

In contrast, if the creditor agrees the debt is coerced and ceases collection activities, it must, within five business days of completing the review, (1) notify the debtor in writing that is ceasing collection activities; (2) instruct consumer reporting agencies to delete adverse information; and (3) if it is a collector, notify the original creditor. Ceasing collection activities under this law does not toll the statute of limitations period on any action to collect the debt.

If a debtor notifies a creditor, either orally or in writing, that a debt is a coerced debt but does not provide the required documentation or such documentation is insufficient, the creditor must provide written notice to the debtor instructing the debtor on what is needed to dispute the coerced debt. A description of such notice and its required language is provided in section 604-bb of the General Business Law.

Please note that a debtor injured by violations of these procedural protections has a cause of action against the creditor to recover statutory damages of \$1,000, actual damages, if any, and the costs and attorneys' fees reasonably incurred in bringing such action.

III. Coerced Debt Cause of Action and Affirmative Defense

The new law provides that a debtor shall have a cause of action against a creditor in any court having jurisdiction to issue a declaratory judgment establishing that a debt or portion of a debt asserted to be owed to such creditor is a coerced debt. Such action shall not be commenced and maintained unless the following conditions are satisfied:

1. The debtor provides by first class mail with certification of mailing, certified mail, overnight delivery, or other method that allows for confirmation of the date of mailing, the notice of coerced debt or subsequent notice of coerced debt under section 604-bb of this article, provided, however, that receipt of the notice of coerced debt shall not be a condition to bringing such action if it is sent in a properly addressed envelope; and
2. The 30-day period mentioned in Section II above has expired and the debtor has not received written notice that collection activities have ceased; or
3. The debtor receives a written determination that the particular disputed debt is not coerced debt.

A debtor who establishes by a preponderance of the evidence that a debt or portion of a debt asserted to be owed to the creditor is coerced debt shall be entitled to the following relief:

1. A declaratory judgment stating that the debt or portion thereof is coerced debt and that the alleged debtor shall not be liable for such coerced debt;
2. An order enjoining or restraining the creditor from holding or attempting to hold the debtor personally liable for the coerced debt or attempting to obtain or enforce any judgment thereon against such debtor and enjoining and restraining all future collection activities with respect to such debt;

3. An order dismissing any other cause of action brought by the creditor to enforce or collect the coerced debt from the debtor;
4. If the creditor has furnished adverse information to a consumer reporting agency with respect to such coerced debt, an order directing the creditor to notify such agency to delete all such adverse information; and
5. The costs and attorneys' fees reasonably incurred in bringing such action.

Separately, in any action by a creditor to collect a debt, the debtor can raise "coerced debt" as an affirmative defense without having first used the notice process, so long as the same type of supporting documentation is attached to the answer. Prevailing on this defense also entitles the debtor to fees and costs.

For debts secured by real or personal property, the private cause of action and affirmative defense shall affect only the debtor's liability for any deficiency after the foreclosure, repossession, or surrender and disposition of the subject collateral.

The Attorney General is also empowered to enforce the new law through injunctions, restitution, and civil penalties of up to \$5,000 per violation.

IV. Creditor and Debtor Remedy Against the Coercer

The new law also provides that a person who caused another to incur coerced debt can be held civilly liable to the creditor, and/or the debtor in whose name such coerced debt was incurred if such debtor has already paid all or part of such coerced debt, for the coerced amount as well as the reasonable costs and attorneys' fees incurred in bringing such action.

V. Conclusion

Given this new law, financial institutions and other lenders operating in New York should review their procedures to address coerced debt claims, including establishing channels to receive a debtor's sworn statement and adequate documentation, pausing collection upon receipt, notifying consumer reporting agencies, and completing a documented review within the statutory timelines. Given the availability of a private cause of action with statutory damages, fees, and injunctive relief, as well as enforcement by the Attorney General, compliance with this new law will be important for consumer lenders in New York State.

Please note this is a general overview of developments in the law and does not constitute legal advice. Nothing herein creates an attorney-client relationship between the sender and the recipient. If you have any questions about the new law, please feel free to contact Joseph D. Simon at (516) 357-3710 or via email at jdsimon@cullenllp.com, Elizabeth A. Murphy at (516) 296-9154, or via email at emurphy@cullenllp.com, David Curatolo at (516) 357-3773 or via email at dcuratolo@cullenllp.com, or Gabriela Morales at (516) 357-3850 or via email at gmorales@cullenllp.com.

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