

Minnesota Appellate Court Broadly Defines “Collection Agency” Under State Licensing Law

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A recent [Minnesota appellate court decision](#) underscores how broadly courts—and regulators—can construe licensing statutes.

Background

- In this case, a Utah company challenged a cease-and-desist order issued by the Minnesota Commissioner of Commerce for acting as a collection agency without a license in violation of Minnesota law.
- The plaintiff contracts with motor vehicle rental companies to provide various business services, including adjusting claims and, if necessary, collecting money from consumers for damage to rental vehicles.
- The company argued that it does not conduct business as a “collection agency” or conduct business “in Minnesota” as those terms are defined under Minnesota’s collection agency statute, and therefore, is not subject to regulation or licensure by the Minnesota Commissioner of Commerce.

The Appellate Court’s Holdings

- The Minnesota appellate court held that the plaintiff acted as a collection agency under Minnesota law because it collected or attempted to collect a pecuniary obligation or indebtedness from consumers on behalf of the vehicle rental companies, rejecting the plaintiff’s assertions that the Minnesota collection agency statutes are unconstitutionally vague as applied in this case.
- The court rejected the plaintiff’s argument that the claims it took assignment of were not within the scope of the statute because such claims had not been reduced to a specific dollar amount when they were assigned. The court further stated that the claims were collected “for others” because the plaintiff remitted some of the collected funds to the vehicle rental companies.

- The court also rejected the plaintiff’s argument that it was not conducting business “in Minnesota” because it had not collected money from Minnesota residents. Rather, the court held that “[n]othing in the plain language of the statute requires that collection activities must involve a Minnesota resident for Minnesota’s collection agency statutes to apply” and that it was sufficient that the vehicles were rented in Minnesota.

Why it Matters

- **Expansive reach of licensing obligations.** Minnesota’s definition of “collection agency” can encompass vendors that adjust and collect on damage claims for rental car companies—even when claims are assigned and not yet liquidated.
- **Broad territorial scope.** Out-of-state entities can be deemed to conduct business “in Minnesota” based on the underlying transaction’s nexus to the state (here, vehicles rented in Minnesota), without any requirement that the consumer reside in Minnesota.
- **Regulatory risk for multi-state operations.** Vendors and creditors using third parties to pursue amounts owed should reassess licensing strategies when activity touches Minnesota, regardless of where the company is based or where consumers reside.

Practical Takeaways

- **Confirm licensure needs.** Evaluate whether your activities—especially claims adjusting that transitions into demands for payment—trigger collection agency licensing in Minnesota.
- **Review assignment structures.** Do not assume that an assignment or unliquidated status removes activity from the statute’s scope.
- **Map geographic nexus.** Inventory where underlying transactions occur (e.g., rental locations) and align licensing compliance accordingly.
- **Update compliance programs.** Ensure policies, vendor management, and disclosures reflect Minnesota’s interpretation, and prepare for examination or enforcement by the Commissioner of Commerce.

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