

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF
CALIFORNIA

David Taylor and Patrick Taylor v. Navient Corp., a Delaware
Corporation, et al.

Taylor v. Navient · No. 2:25-cv-2687-TLN-SCR · Decided December 23, 2025

SUMMARY

A United States magistrate judge recommends denying David and Patrick Taylor’s motion for a preliminary injunction seeking to halt collection and credit reporting concerning private student loans associated with ITT Technical Institute. The court concludes that Plaintiffs have not shown a likelihood of success on the merits or irreparable harm, including because the Sweet v. Cardona settlement concerned federal loans and did not itself discharge private loans. The court also recommends denying Plaintiffs’ request for sanctions, finding insufficient evidence of bad faith or sanctionable conduct by Defendants.

CASE DETAILS

COURT	United States District Court for the Eastern District of California
WRITING FOR THE COURT	Sean C. Riordan
JURISDICTION	United States District Court for the Eastern District of California
DECIDED	December 23, 2025
DOCKET	2:25-cv-2687-TLN-SCR
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiffs moved for a preliminary injunction barring collection activity and credit-reporting communications concerning private student loans, and separately sought sanctions against defendants. The magistrate judge issued findings and recommendations recommending denial of both motions.
STANDARD OF REVIEW	A preliminary injunction requires a showing of likely success on the merits, likely irreparable harm absent relief, a favorable balance of equities, and consistency with the public interest. Alternatively, a plaintiff may proceed by showing serious questions going to the merits, irreparable harm, and a balance of equities that tips sharply in the plaintiff's favor. Sanctions under Rule 11 or the court's inherent

	authority require sanctionable conduct, including bad faith for an inherent-authority sanction.
PRECEDENTIAL VALUE	nonprecedential
PARTIES	David Taylor, Patrick Taylor v. Navient Corp., Navient Solutions, LLC, Higher Education Loan Authority of the State of Missouri

TOPICS

injunctions

sanctions

consumer protection

fair debt collection

contracts

PRACTICE AREAS

civil procedure

consumer protection

contracts

remedies

debt collection

QUESTIONS PRESENTED

1. Whether plaintiffs established the requirements for a preliminary injunction barring collection on and credit reporting concerning their private student loans.
2. Whether plaintiffs showed a likelihood of success or a substantial question on claims that the private loans were fraudulent, void, or subject to discharge.
3. Whether plaintiffs demonstrated irreparable harm that could not be remedied through monetary damages.
4. Whether defendants engaged in sanctionable bad-faith conduct warranting sanctions under Federal Rule of Civil Procedure 11 or the court's inherent authority.

HOLDINGS

1. Plaintiffs did not satisfy the preliminary-injunction standard because they failed to show a likelihood of success on the merits or a substantial question going to the merits, and failed to establish irreparable harm.
2. On the current record, plaintiffs failed to show a likelihood of success on their theory that the private student loans were fraudulently induced, void ab initio, or required to be discharged.
3. Plaintiffs' request for sanctions should be denied because they did not establish bad faith or other sanctionable conduct by defendants.

KEY QUOTATIONS

“A preliminary injunction is an extraordinary remedy never awarded as of right.” (Analysis § I)

“At no point did the court in Sweet itself conclude that any of the educational institutions were engaged in fraud, or that any loans to finance a claimant’s attendance violated public policy.” (Analysis § II)

“Plaintiffs have failed to demonstrate that permitting collection actions to continue will result in irreparable harm as a matter of law.” (Analysis § III)

FACTUAL BACKGROUND

David Taylor obtained federal and private student loans to attend ITT Technical Institute, and Patrick Taylor co-signed one private loan. The Department of Education discharged David Taylor's federal loans under the Sweet settlement, but the defendants denied his application to discharge the private loans, citing insufficient evidence, lack of causation, and delay. Plaintiffs alleged that continued collection and credit reporting caused financial, housing, emotional, and credit-related harm, and sought injunctive relief and sanctions based on defendants' conduct during the litigation.

PROCEDURAL HISTORY

Plaintiffs filed the complaint on September 18, 2025, and moved for a preliminary injunction on September 30, 2025. After briefing and a November 13, 2025 hearing, the magistrate judge recommended that the preliminary-injunction motion and sanctions request be denied. The recommendations were to be submitted to the assigned district judge under 28 U.S.C. § 636(b)(1), subject to objections within fourteen days.

DISPOSITION

other

REMAND INSTRUCTIONS

No remand was ordered. The magistrate judge recommended denial of both motions and directed that the findings and recommendations be submitted to the assigned district judge, with objections due within fourteen days after service.

CASES CITED

- Sweet v. Cardona, 641 F. Supp. 3d 814, 820-22, 828, 830 (N.D. Cal. 2022)
- Winter v. Natural Resources Defense Council, Inc., 555 U.S. 7, 24 (2008)
- Garcia v. Google, Inc., 786 F.3d 733, 740 (9th Cir. 2015)
- Alliance for the Wild Rockies v. Cottrell, 632 F.3d 1127, 1134-35 (9th Cir. 2011)
- Lim v. The.TV. Corp. Internat., 99 Cal. App. 4th 684, 694 (Cal. Ct. App. 2002)
- Yagman v. Kelly, 2018 WL 2138461, at *11 (C.D. Cal. Mar. 20, 2018)
- Carton v. B & B Equities Group, LLC, 827 F. Supp. 2d 1235, 1244-45
- Paul Revere Life Insurance Co. v. Fima, 105 F.3d 490, 492 (9th Cir. 1997)
- Drakes Bay Oyster Co. v. Salazar, 921 F. Supp. 2d 972, 993 (N.D. Cal. 2013)
- Sampson v. Murray, 415 U.S. 61, 90 (1974)
- Poretti v. Dzurenda, 11 F.4th 1037, 1050 (9th Cir. 2021)
- O'Hailpin v. Hawaiian Airlines, Inc., 583 F. Supp. 3d 1294, 1307 (D. Haw. 2022)
- Williams v. Capital One, N.A., 2025 WL 2388683, at *2 (E.D. Cal. Aug. 18, 2025)
- Chambers v. NASCO, Inc., 501 U.S. 32, 46 (1991)
- Martinez v. Vist, 951 F.2d 1153 (9th Cir. 1991)

OPINION

David Taylor and Patrick Taylor v. Navient Corp., a Delaware Corporation, et al.

PER CURIAM.

1 2 3 4 5 6 7

8 UNITED STATES DISTRICT COURT

9 FOR THE EASTERN DISTRICT OF CALIFORNIA

10

11 DAVID TAYLOR and PATRICK

TAYLOR, No. 2:25-cv-2687-TLN-SCR 12

FINDINGS AND RECOMMENDATIONS

13 Plaintiffs, 14 v. 15 NAVIENT CORP., a Delaware 16 Corporation, et al., 17 Defendants. 18 19
20 On September 30, 2025, Plaintiffs filed a motion for a preliminary injunction. ECF No. 6. 21
Plaintiffs are proceeding pro se in this matter, and their motion is accordingly referred to the 22
undersigned for findings and recommendations pursuant to Local Rule 302(c)(21). Plaintiffs seek
23 to enjoin Defendants from taking any collection action based on the loans at issue in this action,
24 and from communicating with any credit reporting agencies about these debts. ECF No. 6 at 1-
2, 25 4. Plaintiffs also moved for sanctions against Defendants for, inter alia, continuing collection
26 efforts even after commencement of this action. Id. at 3. The court heard the motions on
27 November 13, 2025. For the reasons provided below, the undersigned recommends that both
28 motions be denied.

.1 BACKGROUND

2 I. Factual Allegations and Evidence 3 The Complaint alleges that 20 years ago, Plaintiff David
Taylor was “fraudulently 4 induced” into securing loans to attend ITT Technical Institute (“ITT”).
ECF No. 1 at 2. This 5 included both loans from the U.S. Department of Education (“DOE”) and
private loans that have 6 since been assigned to Defendants Higher Education Loan Authority of
the State of Missouri 7 (“MOHELA”), Navient Solutions, LLC, and Navient Corp. (collectively
“Navient”). Id. Plaintiff 8 Patrick Taylor, David’s father, co-signed one of these loans. Id. 9 In the
summer of 2019, following the collapse of the for-profit Corinthian Colleges, Inc., a 10 class
action was brought to compel the adjudication of borrower defense claims submitted to the 11
DOE. See Sweet v. Cardona, 641 F. Supp. 3d 814, 820 (N.D. Cal. 2022). The certified class 12
included any former student of a listed for-profit college, including ITT, who received a federal 13
student loan and had asserted a borrower defense that the DOE had not adjudicated on the merits.
14 Id. In 2022, the parties in Sweet reached a settlement agreement which provided full, automatic
15 relief to most applicants and hard deadlines for deciding whether to grant relief to the others,
with 16 certain presumptions in favor of those applicants during the adjudication. Id. at 821-22. 17
Plaintiffs’ reply brief in support of his motion includes an October 20, 2022 email from 18 the
DOE confirming that David Taylor’s federal student loans were fully discharged without 19
further action. ECF No. 30 at 23. The email advised him that this did not automatically 20

discharge any private loans, like the loans Defendants service. Id. He nevertheless submitted this 21 email to MOHELA as part of an application seeking discharge of his private loans. 22 The reply brief also includes evidence that on April 11, 2025, MOHELA informed David 23 Taylor that Navient had denied his discharge application. ECF No. 30 at 53-54. MOHELA's 24 letter explained that Navient had considered a variety of factors when deciding that he did not 25 meet the requirements to have his private loans discharged based on ITT's misconduct. Id. 26 David Taylor appealed the denial on May 8, 2025, requesting in part that MOHELA articulate 27 what specific requirements were considered and why Defendants had concluded he did not meet 28 them based on the evidence submitted. Id. at 51-52. MOHELA's June 12, 2025 response .1 reaffirmed that the settlement in Sweet did not entitle him to discharge of private loans, while 2 asserting that Navient's Legal Department had made all decisions concerning his discharge 3 application. Id. at 49. Plaintiff filed a complaint against Navient Corp. with the Consumer 4 Financial Protection Bureau later that day. Id. at 46. On June 13, 2025, Navient responded that it 5 had transferred all servicing of the loans to MOHELA, to whom David Taylor should therefore 6 direct all complaints. Id. at 45. 7 On July 19, 2025, MOHELA sent David Taylor a letter identifying five reasons for 8 Navient's denial of the discharge application. Id. at 39-42. This included insufficient evidence of 9 alleged misconduct, of alleged harm, and of causation connecting said misconduct to said harm; 10 the length of time since the misconduct occurred; and the length of time since Plaintiffs became 11 aware of such misconduct. Id. 12 The Complaint alleges that enforcement of these loans for twenty years has resulted in 13 significant lost income, bankruptcy in 2018, and housing instability for David Taylor and his 14 daughter. ECF No. 1 at 3. It has also damaged Patrick Taylor's financial security and credit. Id. 15 The Complaint further argues that Defendants dealt with Plaintiffs in bad faith by continuing 16 collection actions while David Taylor appealed the discharge application denial. Id. Plaintiffs 17 also allege that each Defendant blames the other for such denial as if they are separate entities, 18 even though all three use a single address and two lack the required debt collection license from 19 the California Department of Financial Protection and Innovation ("DFPI"). Id. at 3-4. 20 Based on these allegations, the Complaint first alleges "Conspiracy to Defraud & Fraud in 21 the Inducement" for knowingly and willfully servicing loans predicated upon ITT's fraud, and 22 retaining the \$24,841.52 Plaintiffs have paid thus far. Id. at 4. It then alleges violations of the 23 Fair Debt Collection Practices Act ("FDCPA"), 15 U.S.C. § 1692 et seq., both for attempting to 24 collect on a debt that Defendants should have known was fraudulent and for "harassing" Plaintiffs 25 with 400 emails in the process. Id. The Complaint further alleges that these collection efforts 26 also constitute Intentional Infliction of Emotional Distress and effectively breach the federal court 27 order approving the settlement agreement in Sweet. Id. at 5-6. Separately, the Complaint alleges 28 violations of the Consumer Financial Protection Act based on Defendants blaming each other for .1 the denial of the discharge application; the California Debt Collection Licensing Act ("CDCLA") 2 based on the lack of DFPI licensing; and 26 U.S.C. § 7206 based on a Form 1099-E

Navient filed 3 with the Internal Revenue Service (“IRS”) that uses Navient Solutions’ name but Navient Corp.’s 4 Taxpayer Identification Number (“TIN”). Id. at 5. 5 Based on these causes of action, the Complaint seeks disgorgement of \$199,999,998 in 6 “unjustly enriched funds,” punitive and exemplary damages of \$1,799,999,982, unspecified 7 consequential damages for the harm inflicted on Plaintiffs, declaratory relief rescinding all subject 8 loans as unenforceable, and injunctive relief both discharging these loans and compelling their 9 deletion from Plaintiffs’ credit reports. Id. at 6. 10 II. Course of Proceedings 11 Plaintiffs filed the Complaint on September 18, 2025 and purportedly served all 12 Defendants with the Complaint and Summons on September 19, 2025. ECF Nos. 1, 5. On

13 September 30, 2025, Plaintiffs received a voicemail from Viviana Hedrick, counsel for 14 MOHELA, requesting a return call to discuss the case. ECF No. 8 at 1, 4. Plaintiffs ignored the 15 voice message, purportedly because they refuse to engage in any unrecorded communication in 16 this matter. Id. at 1. On October 1, Navient sent Plaintiffs a Notice of Rejected Service of 17 Process for failure to serve its registered agent for process. ECF No. 30 at 131. 18 Hedrick called three more times before David Taylor responded via email on October 2, 19 2025. ECF No. 8 at 2, 5-6. This email offered to settle the case for \$500 million, and 20 alternatively gave Defendants only one opportunity to counteroffer in writing within 48 hours for 21 no less than \$48 million. Id. at 6. Plaintiffs received an automatic email from Hedrick saying she 22 was out of town and had limited access to her email account until October 6. Id. at 7. She 23 nevertheless replied on October 3 asking for a phone call to discuss the matter, which Plaintiffs 24 considered “open and willful defiance” of their demand that any settlement discussions be in 25 writing. Id. at 2, 7. 26 On October 7, 2025, MOHELA filed an ex parte application requesting an extension of 27 the deadline to respond to the Complaint. ECF No. 12 at 2. The application asserted that 28 MOHELA needed this time in part to “determine if service was proper and/or effective.” Id. It .1 also explained that Plaintiffs’ refusal to discuss the matter via “unrecorded telephone 2 conversation” left MOHELA unable to secure a stipulation for such an extension. Id. The Court 3 granted the extension on October 14, 2025, over Plaintiffs’ opposition. ECF Nos. 13-14.

4 ANALYSIS

5 I. Preliminary Injunction Standard 6 “A preliminary injunction is an extraordinary remedy never awarded as of right.” Winter 7 v. Nat. Res. Def. Council, Inc., 555 U.S. 7, 24 (2008). A plaintiff seeking a preliminary 8 injunction must generally establish all four of the following elements: (1) likely success on the 9 merits of his underlying case; (2) a likelihood that the plaintiff will suffer irreparable harm in the 10 absence of preliminary relief; (3) that the balance of equities tips in his favor; and (4) that an 11 injunction is in the public interest. Garcia v. Google, Inc., 786 F.3d 733, 740 (9th Cir. 2015). A 12 plaintiff may also prevail by showing serious questions going to the merits, irreparable harm, and 13 a balance of equities that tips strongly in the plaintiff’s favor. All. for the Wild Rockies v. 14 Cottrell, 632 F.3d 1127, 1134-35 (9th Cir. 2011). 15 II. No Likelihood of Success on the Merits 16 Plaintiffs’ reply brief includes evidence purporting to support most of

the causes of action 17 in the Complaint. Some, however, provide no private cause of action. Plaintiffs cite 26 U.S.C. § 18 7206, for example, when arguing that Defendants have filed fraudulent statements with the IRS 19 by attributing Navient Corp.'s TIN to Navient Solutions on a Form 1099-E. ECF No. 1 at 5. The 20 sole remedy for this, however, is up to a \$500,000 fine and a three-year prison sentence following 21 a criminal conviction. See 26 U.S.C. § 7206. Similarly, only the Bureau of Consumer Financial 22 Protection ("CFPB") may bring an action against service providers for unfair, deceptive, or 23 abusive acts or practices under 12 U.S.C. § 5536. See ECF No. 1 at 5; 12 U.S.C. §§ 5531, 5564.1 24 25 26 1 It is not lost on the undersigned that the Trump Administration is reportedly in the process of 27 attempting to shut down the CFPB. See, e.g., Michael Stratford, Trump administration declares CFPB funding illegal, Politico.com (Nov. 11, 2025), available at Trump administration declares 28 CFPB funding illegal - POLITICO. .1 As to breach of the CDCLA, meanwhile, Plaintiffs submit screenshots from the websites 2 of the Nationwide Multistate Licensing System ("NMLS"), California Department of Financial 3 Protection and Innovation ("DFPI"), and Florida Office of Financial Regulation ("OFR"). ECF

4 No. 30 at 57-78. These screenshots do show that while MOHELA and Navient are licensed by 5 OFR to operate in Florida (Id. at 73-75, 78), NMLS and DFPI searches only yielded results for 6 Navient Solutions, LLC (Id. at 57-72). This presupposes, however, that the CDCLA applies to 7 Plaintiff's loans. The CDCLA, Cal. Fin. Code §§ 100000 et seq., does not apply to debt 8 collection under the Student Loan Servicing Act ("SLSA"), Cal. Fin. Code §§ 28100 et seq. Cal. 9 Fin. Code § 100001(c). The SLSA has its own licensing requirement, but it exempts any bank or 10 loan company doing business under a license "issued by the United States or any state ... of the 11 United States that is authorized to transact business in this state." Cal. Fin. Code §§ 28102(a), 12 (b)(1). Plaintiffs do not demonstrate why Defendants cannot operate under their Florida licenses 13 to collect on a student loan. Assuming arguendo they cannot, SLSA authorizes only the 14 Commissioner of Financial Protection and Innovation to enjoin unlicensed entities from servicing 15 student loans, not individual borrowers. See Cal. Fin. Code §§ 28104(c), 28160. 16 The Court now turns to the crux of Plaintiffs' preliminary injunction motion. Plaintiffs 17 seek to enjoin collection of the private loans that Defendants own or service, and any 18 communication with credit reporting agencies about these loans. ECF No. 6 at 4. The only 19 claims relevant to such injunctive relief are those that concern whether Defendants should have 20 discharged these loans. Part of the Complaint's allegations that Defendants violated the FDCPA, 21 for example, presupposes that the loans were fraudulent and void when Defendants tried to collect 22 on them, and that they should have known as much.2 ECF No. 1 at 4. Plaintiffs must 23 demonstrate a probability of success on this issue. 24 25 26 2 Although the Complaint does assert a separate violation of the FDCPA based on "400 separate communications designed to harass" Plaintiffs, the cited section of the FDCPA only limits the 27 number and placement of telephone calls. ECF No. 1 at 4; 15 U.S.C. § 1692d(6). Plaintiffs' evidence—as noted—instead focuses on written

communications. In any case, civil remedies for an FDCPA violation are based on actual damages stemming from the misconduct. 15 U.S.C. § 1610. Plaintiffs' discharge application, whether to MOHELA or Navient, relied on the settlement in Sweet discharging federal loans because of ITT's fraudulent conduct. See ECF No. 30 at 23-29, 47-54. Plaintiffs do not dispute that the settlement in Sweet did not in itself discharge private loans like the ones at issue. *Id.* at 2-3, 23, 49. They instead argue that the factual findings underlying the settlement establish that any loan David Taylor accepted to attend ITT was based on fraud, and any such loan agreement is therefore void as a matter of contract law. *Id.* at 2-3. Plaintiffs argue that the "School Misconduct Discharge" process reflects this understanding, and that Defendants' refusal to discharge David Taylor's loans through this process is an act of bad faith. *Id.* at 3. A claim for fraud or intentional misrepresentation in the state of California requires "(1) a representation, (2) that is false, (3) made with knowledge of its falsity, and (4) with an intent to deceive, coupled with (5) actual detrimental reliance and (6) resulting damage." *Lim v. TheTV. 13 Corp. Internat.*, 99 Cal.App.4th 684, 694 (Cal. Ct. App. 2002). See also *Yagman v. Kelly*, 2018 WL 2138461 at *11 (C.D. Cal. Mar. 20, 2018) (reciting the same elements for fraud under, but with the first two combined into a single "misrepresentation" requirement). Of the six elements, Plaintiffs fail to meet their burden as to the third and fourth. Plaintiffs have not demonstrated, at least at this point, that MOHELA or Navient knew that ITT was engaged in fraudulent conduct when they entered into loan agreements to finance David Taylor's education. Nor can Plaintiffs attribute ITT's fraud to Defendants based on the current evidence. Plaintiffs may respond that by providing a School Misconduct Discharge program, Defendants waive any requirement that they were a party to the school's misconduct. Plaintiffs still have the burden of demonstrating that Defendants were legally required to discharge the loans at issue. Plaintiffs do not meet this burden, and in fact provide evidence that suggests 1692k(a). Accordingly, even if this statute applied to emails, it does not appear it would entitle Plaintiffs to debt relief. MOHELA's July 19, 2025 letter identifies "Navient's School Misconduct Discharge program" as the application process that allows borrowers to apply to have their educational loans with Defendants forgiven, if misconduct by the institution the borrower attended has financially harmed the borrower. See ECF No. 30 at 39-42. Another valid reason for denying the application. Among the reasons cited in MOHELA's July 19, 2025 letter is the length of time that had elapsed since Plaintiffs became aware of ITT's misconduct. ECF No. 30 at 39-42. At minimum, they have known about this misconduct since the DOE informed them on October 20, 2022 that all federal loans were consequently discharged. See *id.* at 23-24. Yet the evidence suggests that Plaintiffs did not apply for discharge until 2025, over two years later. *Id.* at 3, 17, 55. Plaintiffs do not explain why Defendants could not consider any discharge application untimely under these circumstances. The Court also considers whether Plaintiffs have shown a likelihood of success on a theory that the loan agreements were void ab initio. Unlike contracts that are voidable due to fraudulent misrepresentation, a contract that violates public policy "is void ab initio and will be treated as

though no contract ever existed.” *Carton v. B & B Equities Group, LLC*, 827 F.Supp.2d 1235, 1244-45 (citing, e.g., *Paul Revere Life Ins. Co. v. Fima*, 105 F.3d 490, 492 (9th Cir.1997)). Whether anyone ever found that the private student loans at issue violate public policy, however, is unclear. Sweet itself said little about any underlying fraud by the educational institutions affected by the settlement, like ITT. It instead concerned allegations that the Secretary of Education had first delayed review of any borrower defense claims for months, then relied on a “presumption of denial” to rapidly send thousands of form-denial notices. 641 F.Supp. 3d at 820-21, 830. The settlement resolved this by providing automatic relief to the majority of class members, expedited processing for a second group with some presumptions favoring the claimants, and a three-year deadline to respond to the rest. *Id.* at 821-22. When analyzing how the settlement agreement affects educational institutions, if at all, the court emphasized that “the settlement does not constitute a successful or approved borrower-defense claim, a position maintained by both the class and Secretary”. *Id.* at 828. At no point did the court in Sweet itself conclude that any of the educational institutions were engaged in fraud, or that any loans to finance a claimant’s attendance violated public policy. The terms of the settlement also undermine any evidentiary value of the DOE’s discharge of David Taylor’s federal loan. The January 8, 2025 DOE letter reflected the DOE’s decision that ITT “made pervasive and widespread substantial misrepresentations which borrowers relied on to their detriment and/or violated state consumer protection laws.” ECF No. 30 at 27. Yet the settlement agreement required the DOE to either make this conclusion or to make certain assumptions that helped it reach this conclusion, depending on which subclass applied to David Taylor. A private lender that is not required to make such assumptions may reach a different conclusion. Plaintiffs may ultimately prevail on their claims that implicate discharge of their private student debt. But on the current record they have not shown a likelihood of success on the merits or a substantial question going to the merits. III. No Irreparable Harm Plaintiffs also fail to show irreparable harm as understood by the law. Plaintiffs assert that the loans at issue have damaged their financial standing, deprived David Taylor’s daughter of a stable home, driven David Taylor to bankruptcy, and negatively impacted Patrick Taylor’s health. ECF No. 1 at 3; ECF No. 6 at 3. The purported ongoing harm is “the continuation of this nightmare.” ECF No. 30 at 9. As MOHELA notes, however, Plaintiffs cite no authority to suggest that any of this constitutes irreparable harm meriting a preliminary injunction. ECF No. 22 at 5. If “adequate compensatory or other corrective relief will be available at a later date, in the ordinary course of litigation,” courts generally hesitate to find irreparable harm. *Drakes Bay Oyster Co. v. Salazar*, 921 F.Supp.2d 972, 993 (N.D. Cal. 2013) (quoting *Sampson v. Murray*, 415 U.S. 61, 90 (1974)). Whether intangible harms are irreparable depends on whether the facts “disclose that [such] loss... can be remedied by money damages.” *Drakes Bay Oyster*, 921 F.Supp.2d at 993. The Ninth Circuit has upheld, for example, a finding of “irreparable harm in the form of ‘very serious or extreme damage to [plaintiff’s] mental health’” including a risk of

“suicide or self-harm and ‘debilitating symptoms.’” *Poretti v. Dzurenda*, 11 F.4th 1037, 1050 26 (9th Cir. 2021) (citations omitted). But courts have limited such findings to “extraordinary 27 circumstances,” and held that a “bare and conclusory claim that” a defendant “is harming [the 28 .1 plaintiff’s] psychological well-being does not demonstrate an immediate threatened injury.” 2 *O’Hailpin v. Hawaiian Airlines, Inc.*, 583 F.Supp.3d 1294, 1307 (D. Haw. 2022). 3 The parties do not dispute that the educational debt at issue has damaged David Taylor’s 4 financial standing and both Plaintiffs’ mental health. See ECF No. 30 at 9. Plaintiffs fail to 5 show, however, that “the continuation of this nightmare” during the pendency of this action will 6 lead to irreversible consequences. *Id.* Monetary damages upon success at trial may include 7 damages for any emotional harm caused by demonstrated unlawful activity by Defendants. 8 Nor do Plaintiffs show that any pending transactions, like a mortgage application, could 9 be impacted by the presence of the subject loans on credit reports during the pendency of this 10 action. In any case, monetary damages could also compensate for any harm that occurs from 11 improper reporting of debt during the pendency in this action. See *Williams v. Capital One, N.A.*, 12 2025 WL 2388683 at *2 (E.D. Cal. Aug. 18, 2025) (holding that damage to a plaintiff’s credit 13 score is not irreparable because, “Defendant(s) would be ordered to remove the debt from 14 Plaintiff’s credit report” if the plaintiff prevails at trial). 15 Plaintiffs have failed to demonstrate that permitting collection actions to continue will 16 result in irreparable harm as a matter of law. When combined with the low probability of success 17 on relevant claims, this warrants denying the motion for a preliminary injunction without 18 discussing the other Winter factors. 19 IV. Sanctions are Not Merited 20 MOHELA notes that under Federal Rule of Civil Procedure 11, courts may only award 21 sanctions based on a “pleading, written motion, or other paper” submitted to the court “whether 22 by signing, filing, submitting, or later advocating it” in bad faith. ECF No. 22 at 6. Plaintiffs 23 respond that courts have the inherent authority to sanction the “full range of litigation abuses.” 24 ECF No. 30 at 10 (citing *Chambers v. NASCO, Inc.*, 501 U.S. 32, 46 (1991)). Even under this 25 standard, however, none of the conduct Plaintiffs cite demonstrates sufficient bad faith as to merit 26 sanctions. 27 Plaintiffs argue in their reply brief, for example, that Defendants acted in bad faith by 28 rejecting or challenging service of the Complaint, only to file oppositions to Plaintiffs’ motion .1 that include facts Defendants only could have known through the documents they allege to have 2 not received.4 ECF No. 30 at 6. MOHELA never asserted that service was improper, but rather 3 asked for more time to determine whether it was. ECF No. 12 at 2. Navient did assert that 4 service was improper, but only insofar as the recipient was not a registered agent for service of 5 such process. ECF No. 30 at 131. That each Defendant was able to oppose Plaintiffs’ motion is 6 insufficient to demonstrate that either one lied about technical service issues. 7 Plaintiffs then assert that by continuing to assess interest against them and increase the 8 amount owed, Defendants are spoiling any evidence as to the amount of Plaintiffs’ loans. ECF 9 No. 30 at 7. This assumes that Defendants lack any internal records of the principal and interest 10 owed at any prior point in time, whereas such records are an established recordkeeping

practice. 11 The Taylors may not allege that Defendants are spoiling evidence just because they cannot see the 12 full accounting of their debts over time without propounding discovery. 13 The moving papers, meanwhile, focus solely on Defendants' purported refusal to engage 14 in settlement negotiations on Plaintiffs' terms, which included a ban on unrecorded verbal 15 communication. ECF No. 8 at 1. Defendants' apparent refusal to accede to Plaintiffs' terms was 16 simply their choice, not bad faith. Further, Plaintiffs insisted on a single round of negotiations 17 with a minimum settlement amount in the tens of millions. ECF No. 8 at 6. They did not 18 substantially discuss how this demand reflects the damage suffered by Plaintiffs themselves, and 19 they enforced a 48-hour time limit that prevented MOHELA from obtaining information that 20 might inform its response. *Id.* By adopting an approach that left little room for negotiation, 21 Plaintiffs have not demonstrated bad faith conduct on Defendants' part so much as on their own. 22 Plaintiffs have failed to demonstrate any sanctionable conduct on Defendants' part, and 23 any request for such sanctions should be denied.

24 CONCLUSION

25 For the foregoing reasons, IT IS HEREBY RECOMMENDED: 26 27 4 Plaintiffs further assert that to further this fraud, Defendants manufactured "Return to Sender" events concealing their receipt of the served documents. ECF No. 30 at 6. The purported scans 28 of these labels are too illegible for the Court to consider. *Id.* at 128-29. 1 1. Plaintiffs' motion for a preliminary injunction (ECF No. 6) be DENIED; and 2 2. Plaintiffs' accompanying request for sanctions be DENIED. 3 These findings and recommendations will be submitted to the United States District Judge 4 || assigned to the case, pursuant to the provisions of 28 U.S.C. § 636(b)(1). Within fourteen days 5 | after being served with these findings and recommendations, either party may file written 6 | objections with the court. The document should be captioned "Objections to Magistrate Judge's 7 | Findings and Recommendations." The parties are advised that failure to file objections within the 8 || specified time may result in waiver of the right to appeal the district court's order. *Martinez v.* 9 | *Vist*, 951 F.2d 1153 (9th Cir. 1991). 10 | DATED: December 22, 2025 12

SEAN C. RIORDAN

13 UNITED STATES MAGISTRATE JUDGE

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