

DOJ Continues False Claims Act Enforcement of PPP Loans Into 2026

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EXECUTIVE SUMMARY

Even though five years have passed since Congress enacted the Paycheck Protection Program (PPP) as an emergency response to the COVID-19 pandemic, enforcement activity relating to PPP loans remains an active component of the federal government's civil fraud agenda and—with the statute of limitations not expiring for another roughly five years—all indications are that it will continue to be an enforcement priority for the foreseeable future. While some of the more notable early pandemic enforcement actions were criminal prosecutions involving loan and forgiveness applications submitted by individuals claiming to operate companies that simply did not exist,^[i] there are a growing number of False Claims Act (FCA) suits against existing companies wherein the government or whistleblowers maintain that the companies allegedly were not eligible to receive the PPP funds.^[ii] These actions are not just limited to the companies that sought to participate in the program. Lenders and other companies that support the financial services industry have also been targeted because of allegations that these entities knew that applicants were ineligible but still processed or approved the applications.^[iii]

Significantly, because of the volume of data that is publicly available related to the PPP, whistleblowers—known as relators—in the form of both insiders and data miners are uniquely able to identify companies that they believe improperly participated in the program. This reality, coupled with the Department of Justice's continuing commitment to identify fraud in federal loan and pandemic relief programs, means that we can expect to see a robust enforcement environment with respect to alleged PPP fraud well into 2026 and beyond. Companies that received PPP funds should have a plan as to how they will quickly and efficiently deal with an inquiry should one arise and should take steps to ensure that documents establishing the company's eligibility to participate in the program and receive forgiveness on the PPP loans are maintained. And there is an even greater need for lenders and companies that supported PPP lenders in servicing applications to be proactive in terms of managing FCA risk.

DISCUSSION

On January 16, 2026, DOJ announced that FCA settlements and judgments exceeded \$6.8 billion in fiscal year (FY) 2025, the highest annual recovery in the statute's history.^[iv] Whistleblowers filed 1,297 *qui tam* actions, and DOJ opened 401 new FCA investigations during the fiscal year.^[v]

Although healthcare matters accounted for the majority of recoveries, DOJ emphasized that its enforcement efforts also targeted fraud involving federal procurement, loan, and grant programs, including misuse of pandemic relief funds.^[vi] DOJ specifically identified pandemic programs as an enforcement focus, noting continued pursuit of FCA matters arising from emergency relief distributed during the COVID-19 crisis.^[vii] The FY2025 FCA Fact Sheet released alongside DOJ's announcement confirms that civil FCA enforcement continues to include cases involving improper payments under pandemic-relief programs, expressly including PPP loans administered by the Small Business Administration (SBA).^[viii] During the government's past fiscal year alone, DOJ obtained more than 200 FCA settlements and judgments resolving fraud claims related to pandemic-relief programs, recovering more than \$230 million in such actions.^[ix] To date, DOJ announced that it has recovered more than \$820 million in settlement and judgments relating to alleged fraud or improper payments in connection with the pandemic-relief programs.^[x] The statute of limitations applicable to pandemic-era fraud is 10 years, ensuring that PPP FCA exposure will remain a live issue into the next decade.^[xi]

PPP loans were issued rapidly and at unprecedented scale during the COVID-19 pandemic, with eligibility determinations largely dependent on borrower certifications concerning employee headcount, affiliation, loan necessity, and compliance with PPP restrictions. FCA liability turns on whether recipients knowingly made, explicitly or implicitly, false statements about their organization that were material to the government's decision to pay or forgive funds under the PPP.^[xii]

Some of the common recent eligibility challenges in FCA suits include:

- Failure to aggregate employees under SBA affiliation rules or otherwise having too many employees to be eligible to participate in the PPP;^[xiii]
- Improper receipt of multiple PPP loans;^[xiv]
- Businesses part of a "single corporate group" receiving more than the permitted \$20 million limitation in PPP loans;^[xv] and
- A business organization receiving funds even though it operated in an industry that was ineligible to participate in the program.^[xvi]

Relators, including in the form of data miners, are uniquely able to identify and to initiate FCA suits alleging PPP fraud because PPP loan data, corporate ownership information, and employment records are frequently available to investigators and relators.^[xvii] This publicly available PPP loan data has enabled such data miner relators to identify potential FCA claims with increasing sophistication relying exclusively on this publicly available data.

Recent enforcement actions illustrate DOJ's continued commitment to recovering funds that it believes were wrongly issued under the program. For example, in January 2026, DOJ obtained a litigated judgment under the FCA against a California rehabilitation center and its owner for improperly receiving and retaining PPP loans. According to SBA's Office of Inspector General, the defendants violated PPP rules by obtaining more than one PPP loan prior to December 31, 2020.^[xviii] The court granted summary judgment in favor of the government and ordered the defendants to pay more than \$1.5 million in damages and penalties.^[xix] This case demonstrates DOJ's willingness to intervene in PPP FCA matters and to litigate them through judgment when a settlement cannot be reached.

DOJ has also continued to announce significant PPP-related FCA settlements. In February 2026, the U.S. Attorney's Office for the Southern District of New York announced a \$3.2 million settlement with a fashion company resolving allegations that it improperly obtained a second-draw PPP loan by falsely certifying its eligibility, including by understating its employee count and failing to account for affiliated entities.^[xx]

KEY TAKEAWAYS

Recent enforcement actions and DOJ data confirm several important themes:

- PPP loans will remain an active area of FCA enforcement in 2026.

- Civil liability focuses on functioning businesses that may very well have needed the funds but were, nevertheless, ineligible to participate.
- The publicly available data for the PPP uniquely enables relators to identify entities that may have received funds they were not eligible to receive.
- DOJ has demonstrated a willingness to intervene in these cases and will litigate them when settlement is not possible.

While the period during which PPP loans were extended was short, the period of enforcement activities related to this short-lived program is proving to be quite long. As relators continue to mine data and otherwise identify entities that they believe received funds they were not entitled to receive, business organizations will face increasing challenges in responding to these allegations as both personnel and relevant documents are lost with the passage of time. Businesses should take steps to preserve what evidence they can that memorializes their belief that they were eligible to participate in the program and that the applications were accurate. It is particularly important for lenders and companies that supported PPP lenders to take such steps as they face not just the prospect of being named in an FCA suit, but also the very real prospect of receiving a third-party subpoena in connection with a loan they serviced or approved.

If you have any questions about this subject or related subjects, or if you need assistance, please contact the authors of this article, [Matt Graves](#) (Partner, [White Collar & Government Investigations](#)), [Benjamin Sokoly](#) (Of Counsel, [White Collar & Government Investigations](#)), [LaTisha Curtiss](#) (Associate, [White Collar & Government Investigations](#)), [Khalil Royster](#) (Associate, [General Litigation](#)), or your [Winston & Strawn](#) relationship attorney. You can also visit our [White Collar & Government Investigations practice page](#) and our [Government Program Fraud, False Claims Act & Qui Tam Litigation practice page](#) For additional thought leadership on this and related topics, please visit [Investigations, Enforcement & Compliance Alerts](#) and our [False Claims Act Playbook](#).

[i] U.S. Dep’t of Just., *COVID-19 Fraud Enforcement Task Force 2024 Report* (Apr. 9, 2024), <https://www.justice.gov/archives/opa/pr/covid-19-fraud-enforcement-task-force-releases-2024-report>.

[ii] U.S. Dep’t of Just., *Fact Sheet: False Claims Act Settlements and Judgments FY2025* (Jan. 16, 2026), <https://www.justice.gov/opa/media/1424126/dl>.

[iii] U.S. Dep’t of Just., *Kabbage Inc. Agrees to Resolve Allegations That the Company Defrauded the Paycheck Protection Program* (May 13, 2024), <https://www.justice.gov/archives/opa/pr/kabbage-inc-agrees-resolve-allegations-company-defrauded-paycheck-protection-program>.

[iv] U.S. Dep’t of Just., *False Claims Act Settlements and Judgments Exceed \$6.8B in Fiscal Year 2025* (Jan. 16, 2026), <https://www.justice.gov/opa/pr/false-claims-act-settlements-and-judgments-exceed-68b-fiscal-year-2025>.

[v] *Id.*

[vi] *Id.*

[vii] *Id.*

[viii] *Supra* note 2.

[ix] *Id.*

[x] *Id.*

[xi] PPP and Bank Fraud Enforcement Harmonization Act of 2022, Pub. L. No. 117-166, 136 Stat. 1365, 15 U.S.C. § 636(a) (36)(W).

[xii] *Supra* note 2.

[xiii] U.S. Dep't of Just., *Companies Pay \$13 Million to Resolve False Claims Act Liability for Allegedly Receiving Improper Paycheck Protection Program Loans* (June 25, 2025), <https://www.justice.gov/usao-nj/pr/companies-pay-13-million-resolve-false-claims-act-liability-allegedly-receiving-improper>.

[xiv] U.S. Dep't of Just., *Alabama corporation settles Paycheck Protection Program false claims* (Nov. 25, 2025), <https://www.justice.gov/usao-edva/pr/alabama-corporation-settles-paycheck-protection-program-false-claims>.

[xv] U.S. Dep't of Just., *Herb Chambers Agrees to Pay \$11.8 Million to Resolve Allegations of PPP Loan Fraud* (Apr. 9, 2025), <https://www.justice.gov/usao-ma/pr/herb-chambers-agrees-pay-118-million-resolve-allegations-ppp-loan-fraud>.

[xvi] U.S. Dep't of Just., *U.S. Attorney Announces Settlement With Members-Only Social Club For Covid Relief Fraud* (Aug. 13, 2025), <https://www.justice.gov/usao-sdny/pr/us-attorney-announces-settlement-members-only-social-club-covid-relief-fraud>.

[xvii] Moiz Syed & Derek Willis, *Tracking PPP: Search Every Company Approved for Federal Loans*, ProPublica (Oct. 27, 2024), <https://projects.propublica.org/coronavirus/bailouts/>.

[xviii] U.S. Dep't of Just., *United States Obtains False Claims Act Judgment Against California Rehabilitation Center and Owner Relating to Improper Paycheck Protection Program Loan* (Jan. 26, 2026),

<https://www.justice.gov/opa/pr/united-states-obtains-false-claims-act-judgment-against-california-rehabilitation-center-and>.

[xix] *Id.*

[xx] U.S. Dep't of Just., *U.S. Attorney Announces \$3.2 Million Settlement with Fashion Company Relating to Improper Receipt of Paycheck Protection Program Loan* (Feb. 6, 2026),

<https://www.justice.gov/usao-sdny/pr/us-attorney-announces-32-million-settlement-fashion-company-relating-improper-receipt>.

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Authors

[Matt Graves](#)

[Benjamin Sokoly](#)

[LaTisha H. Curtiss](#)

[Khalil Royster](#)

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Matt Graves



Benjamin Sokoly



LaTisha H. Curtiss



Khalil Royster

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