

The Consumer Financial Protection Bureau (CFPB) filed its first lawsuit against an online loan servicer, CashCall, its owner, a subsidiary, and an affiliate, for collecting money that consumers did not owe. The CFPB charges that the defendants engaged in unfair trade practices, including unlawfully debiting consumer checking accounts for loans that were void.

CashCall, its subsidiary WS Funding, and its affiliate Delbert Services Corporation, are all under the common ownership of J. Paul Reddam. The CFPB learned that beginning in late 2009, CashCall and WS Funding entered into an arrangement with Western Sky Financial, a South Dakota-based online lender. Western Sky Financial asserted that state laws did not apply to its business because it was based on an Indian reservation and owned by a member of the Cheyenne River Sioux Tribe. However, that relationship with a tribe does not exempt Western Sky from having to comply with state laws when it makes loans over the internet to consumers in various states.

The loans in question ranged in an amount from \$850 to \$10,000 and typically had upfront fees, lengthy repayment terms, and annual interest from 90 percent to 343 percent. Many consumers signed loan agreements permitting loan payments to be debited directly from their bank accounts, similar to a payday lender. The loans were then acquired by WS Funding and serviced by CashCall.

In September 2013, Western Sky stopped making loans and began to shut down its business after several states began investigations and court actions. However, CashCall and Delbert have continued to take monthly installment payments from consumers' bank accounts or have otherwise sought to collect money from borrowers. The CFPB investigation showed that the high cost loans violated either licensing requirements or interest rate caps - or both - in at least eight states, including North Carolina. Because the loans were in violation of statutes, any obligation to pay such loans was rendered void or otherwise nullified in whole or in part. Thus, the defendants were charged with collecting money that consumers do not owe.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB has the authority to take action against institutions engaging in unfair, deceptive, or abusive practices. Consumers in North Carolina with questions or complaints against CashCall or other online lenders can lodge complaints with the North Carolina Attorney General, Consumer Protection Division or the Consumer Financial Protection Bureau.

