

1 PRESTON DUFAUCHARD
California Corporations Commissioner
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7 Attorneys for Complainant

8 BEFORE THE DEPARTMENT OF CORPORATIONS
9 OF THE STATE OF CALIFORNIA

10 IN THE MATTER OF THE ACCUSATION OF) File No: 100-2184
THE CALIFORNIA CORPORATIONS)
11 COMMISSIONER,) ACCUSATION
12 Complainant,)
13)
14 vs.)
15 FADI KHOURI doing business as MONEY)
PALACE)
16 Respondent.)
17 _____)

18 The Complainant is informed and believes, and based upon such information and belief,
19 alleges and charges Respondent as follows:

20 I.
21 Respondent Fadi Khouri, doing business as Money Palace (“Money Palace”), a California
22 corporation, is a deferred deposit transaction originator licensed by the California Corporations
23 Commissioner (“Commissioner”) pursuant to the California Deferred Deposit Transaction Law
24 (California Financial Code section 23000 et seq.) (“CDDTL”). Money Palace has its principal place
25 of business located at 6979 Cerritos Avenue, Stanton, California 90680.

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II.

On or about December 11, 2006, the Commissioner commenced a regulatory examination of the books and records of Money Palace. The regulatory examination revealed that while engaged in the business of deferred deposit transactions, Money Palace violated provisions of the California Financial Code and California Code of Regulations as more fully described below:

- (a) Money Palace failed to maintain deferred deposit transaction records for a period of two years from the date of the last transaction as required by California Financial Code section 23024 and California Code of Regulations, Title 10, section 2025(b) and 2025(c)(1). Money Palace routinely destroyed deferred deposit transaction records upon completion of the transaction(s) from about January 2005 to about March 2006.
- (b) Starting on or about January 1, 2005 to about March 2006, Money Palace failed to enter into written agreements for deferred deposit transactions with customers in violation of California Financial Code section 23035(e). After March 2006, Money Palace began using a computer-based program in generating deferred deposit agreements.
- (c) The written agreements Money Palace provide to its customers do not comply with provisions of California Financial Code section 23035, subsection (e), in that the agreements do not disclose information, including but not limited to, the annual percentage rate and customer payment obligations; that the customer cannot be prosecuted or threatened with prosecution to collect; that the licensee cannot accept collateral in connection with the transaction; and the licensee cannot make a deferred deposit transaction contingent on the purchase of another product or service.
- (d) Money Palace extended or rolled over existing loans and charged additional fees in connection with the roll over in violation of Financial Code section 23036(b).
- (e) Money Palace charged its customers additional fees for non-sufficient funds or returned checks in excess of the \$15.00 fee permitted under Financial Code

1 section 23036 (e) and (f). Due to Money Palace's failure to maintain books and
2 records, the extent of this violation has yet to be verified.

3 (f) Money Palace engaged in unfair, unlawful or deceptive conduct, and or made
4 misleading statements in connection with the business of deferred deposit
5 transactions in violation of Financial Code Section 23037 (f). Specifically, Money
6 Palace made false statements in the books and records by recording loans that had
7 the due dates extended as loans that had been paid in full and newly issued.

8 (g) Commencing at least on or about March 2006, Money Palace failed to distribute to
9 consumers a notice containing information enumerated under section 23035,
10 subdivisions (c), including but not limited to, information about charges for
11 deferred deposit transactions; that the customer cannot be prosecuted in a criminal
12 action in conjunction with a deferred deposit transaction for a returned check or be
13 threatened with prosecution; that a customer may not be required to pay treble
14 damages if the customer's check did not clear; and the department's toll-free
15 number for receiving calls regarding customer complaints and concerns. Money
16 Palace's failed to distribute to consumers a notice as referenced herein in violation
17 of section 23035, subdivision (c).

18 (h) Money Palace failed to post notices in conspicuous view of the public in violation
19 of California Financial Code section 23035 (d)(1).

20 (i) Money Palace filed a false annual report with the Commissioner for the calendar
21 year ending December 2005, in violation of California Financial Code section
22 23026 and California Code of Regulations, Title 10, section 2030. The report was
23 false in that Money Palace had estimated the information required to be contained
24 therein because Money Palace lacked the necessary records to give accurate
25 information due to the illegal destruction or lack of adequate maintenance of
26 records as discussed above.

27 (j) Money Palace failed to provide a current quarterly financial statement as required
28 by California Code of Regulations section 2025(b), demonstrating that the

1 minimum net worth prescribed under California Financial Code section 23007 are
2 met.

3 By reason of the foregoing, Money Palace has violated California Financial Code sections
4 23024, 23026, 23035(c), 23035(d)(1), 23035(e), 23036(b), 23036(e) and (f), 23037(f) and sections
5 2025(c)(1) and 2025(b) and 2030 of Title 10 of the California Code of Regulations and is thus subject
6 to the following Citations, as set forth more fully in paragraphs 1 through 12 below.

7 1. **Citation A.** Since on or about January 1, 2005 to about December 2006, Money
8 Palace failed to maintain records of deferred deposit transactions for a period of two years following
9 the last entry on a deferred deposit transaction in violation of California Financial Code section
10 23024 and California Code of Regulations, Title 10, section 2025(b) and 2025(c)(1). Money Palace
11 routinely either destroyed customers' checks or returned them to customers upon completion of a
12 transaction(s);

13 2. **Citation B.** Money Palace filed a false annual report with the Commissioner for the
14 calendar year ending December 2005, in violation of California Financial Code section 23026 and
15 California Code of Regulations, Title 10, section 2030;

16 3. **Citation C.** Since on or about January 1, 2005 through about March 2006, Money
17 Palace failed to use written deferred deposit agreements in violation of section 23035, subdivisions
18 (e);

19 4. **Citation D.** Since on or about January 1, 2005 through about March 2006, Money
20 Palace entered into deferred deposit transactions without first distributing to customers a notice
21 containing information enumerated under section 23035, subdivision (c);

22 5. **Citation E.** In or about November 2006, Money Palace extended or rolled over
23 existing loans and charged customers additional fees in connection with the roll over thereby
24 violating Financial Code section 23036(b);

25 6. **Citation F.** In or about November 2006, Money Palace charged its customers
26 additional fees for non-sufficient funds or returned checks in excess of the \$15.00 fee permitted under
27 Financial Code section 23036(e) and (f);
28

1 7. **Citation G.** Since about March 2006 through at least about December 2006, Money
2 Palace failed to use written deferred deposit agreements that disclose information enumerated under
3 California Financial Code section 23035 (e);

4 8. **Citation H.** Since about March 2006 through at least about December 2006, Money
5 Palace has incorporated in its written agreements, provisions that allow Money Palace to charge
6 customers amounts exceeding the amounts authorized under California Financial Code section 23036
7 in connection with deferred deposit transactions in violation of section 23036(f). Specifically, Money
8 Palace’s agreements provide that customers “... agree to pay any collection costs, reasonable
9 attorney’s fees and court costs we incur, to the extent allowed by applicable law....”;

10 9. **Citation I.** Since about January 2005 through at least about December 2006, Money
11 Palace failed to post notices in conspicuous view of the public in violation of California Financial
12 Code section 23035 (d)(1);

13 10. **Citation J.** Since about January 2005 through at least December 2006, Money Palace
14 made false statements in the books and records in violation California Financial Code Section
15 23037(f);

16 11. **Citation K.** Since about January 2005 through at least about December 2006, Money
17 Palace failed to keep and use books, accounts, and records to enable the reconciliation of a specific
18 consumer deferred deposit transaction with the documentation maintained in the consumer’s deferred
19 deposit transaction file in violation of section 23024;

20 12. **Citation L.** Since about January 1, 2005 to at least December 2006, Money Palace
21 failed to provide a current quarterly financial statement demonstrating the requisite minimum net
22 worth as prescribed under California Code section 23007 in violation of California Code of
23 Regulations section 2025(b);

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CITATIONS

Pursuant to California Financial Code section 23058, Money Palace is hereby ordered to pay to the Commissioner an administrative penalty in the total amount of thirty-seven thousand five hundred dollars (\$30,000) for the following Citations within 30 days from the date of these Citations.

- Citation A. - two thousand five hundred dollars (\$2,500)
- Citation B. - two thousand five hundred dollars (\$2,500)
- Citation C. - two thousand five hundred dollars (\$2,500)
- Citation D. - two thousand five hundred dollars (\$2,500)
- Citation E. - two thousand five hundred dollars (\$2,500)
- Citation F. - two thousand five hundred dollars (\$2,500)
- Citation G. - two thousand five hundred dollars (\$2,500)
- Citation H. - two thousand five hundred dollars (\$2,500)
- Citation I. - two thousand five hundred dollars (\$2,500)
- Citation J. - two thousand five hundred dollars (\$2,500)
- Citation K. - two thousand five hundred dollars (\$2,500)
- Citation L. - two thousand five hundred dollars (\$2,500)

These Citations shall remain in full force and effect until further order of the Commissioner.

III.

ORDER REVOKING CALIFORNIA DEFERED DEPOSIT TRANSACTION LICENSE

California Financial Code section 23052 provides in pertinent part:

- The commissioner may suspend or revoke any license, upon notice and reasonable opportunity to be heard, if the commissioner finds any of the following:
- (a) The licensee has failed to comply with any demand, ruling, or requirement of the commissioner made pursuant to and within the authority of this division.
 - (b) The licensee has violated any provision of this division or any rule or regulation made by the commissioner under and within the authority of this division.
 - (c) A fact or condition exists that, if it had existed at the time of the original application for the license, reasonably would have warranted the commissioner in refusing to issue the license originally.

1 The Commissioner finds that, by reason of the foregoing, Money Palace has violated
2 California Financial Code sections 23024, 23026, 23035(c), 23035(d)(1), 23035(e), 23036(b),
3 23036(e) and (f), 23037(f) and sections 2025(c)(1) and 2025(b) and 2030 of Title 10 of the California
4 Code of Regulations, which are grounds to revoke the deferred deposit transaction license of Money
5 Palace.

6 WHEREFORE, IT IS PRAYED that the deferred deposit transaction license of Money Palace
7 be revoked.

8 DATED: July 9, 2007
9 Los Angeles, California

PRESTON DUFAUCHARD
California Corporations Commissioner

10 By: _____
11 Uche L. Enenwali
12 Corporations Counsel
13 Enforcement Division
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