

1 MARY ANN SMITH
Deputy Commissioner
2 SEAN M. ROONEY
Assistant Chief Counsel
3 SOPHIA C. KIM (CA BAR NO. 265649)
Corporations Counsel
4 DEPARTMENT OF BUSINESS OVERSIGHT
320 West 4th Street, Suite 750
5 Los Angeles, California 90013
Telephone: (213) 576-7594
6 Facsimile: (213) 576-7181

7 Attorneys for Complainant

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9

BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT

10

OF THE STATE OF CALIFORNIA

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In the Matter of THE COMMISSIONER OF) DESIST AND REFRAIN ORDER PURSUANT
BUSINESS OVERSIGHT OF THE STATE OF) TO CALIFORNIA FINANCIAL CODE
13 CALIFORNIA,) SECTION 23050;

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Complainant,

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vs.

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Northway Financial Corporation Ltd.; and
17 Northway Broker Ltd. dba Zip19.com,

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Respondent.

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The Commissioner of Business Oversight of the State of California (“Commissioner”),¹ is
23 informed and believes, and based on such information and belief, finds as follows:

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¹ As of July 1, 2013, the Department of Corporations and the Department of Financial Institutions merged to form the Department of Business Oversight.

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I.

FACTUAL BACKGROUND

1. Northway Broker Ltd. doing business as Zip19.com (“Northway Broker”) is a company licensed by the Malta Financial Services Authority with its principal place of business at Level 5, Plaza Commercial Centre, Bisazza Street, Sliema SLM 1640, Malta, European Union.

2. Northway Financial Corporation Ltd. (“Northway Financial”) is a company licensed by the Malta Financial Services Authority with its principal place of business at Level 5, Plaza Commercial Centre, Bisazza Street, Sliema SLM 1640, Malta, European Union.

3. Northway Broker and Northway Financial engage in the business of originating or offering to originate deferred deposit transactions (commonly referred to as “payday loans”) over the internet to the general public, including California residents.

4. “Deferred deposit transaction” means a transaction whereby a person defers depositing a customer’s personal check until a specific date, pursuant to a written agreement for a fee or other charge. “Personal check,” as referenced in California Financial Code section 23001, subdivision (a),² includes the electronic equivalent of a personal check, such as an Automated Clearing House (“ACH”) or debit card transaction.

Desist and Refrain Order Issued on August 27, 2008

5. In or around March, 2008, Northway Broker and Northway Financial originated a deferred deposit transaction with at least one California resident (“Customer A”) through its website, www.cashtransfercenters.com, which authorized Northway Broker and Northway Financial to electronically debit Customer A’s account by means of an ACH transaction the loan amount, fees, and charges, on the due date.

6. Northway Broker and Northway Financial had not been issued a license by the Commissioner authorizing them to engage in the business of originating deferred deposit transactions

² All further statutory references are to the California Financial Code unless otherwise indicated.

1 under the California Deferred Deposit Transaction Law (“CDDTL”) found in Financial Code
2 commencing at section 23000.

3 7. Northway Broker and Northway Financial were not exempt from the licensing
4 requirements of Financial Code section 23005.

5 8. On August 27, 2008, pursuant to Financial Code section 23050, Northway Broker and
6 Northway Financial were ordered to desist and refrain from engaging in the business of deferred
7 deposit transactions in the state of California without first obtaining a license from the Commissioner
8 or being exempt.

9 9. On or about August 27, 2008, Northway Broker and Northway Financial were served
10 the Desist and Refrain Order at their business address, Level 8, Plaza Commercial Centre, Bisazza
11 Street, Sliema SLM 15, Malta, European Union.

12 10. On or about March 6, 2009, Northway Broker and Northway Financial sent by mail a
13 letter declining to request a hearing to contest the Commissioner’s Desist and Refrain Order. Hence,
14 the Commissioner’s Desist and Refrain Order of August 27, 2008 (“August 2008 Order”) remains in
15 full force and effect.

16
17 Desist and Refrain Order, Order Voiding Transactions, and Citations Issued on March 6, 2012

18 11. Yet, in or around June, 2011, Northway Financial and Northway Broker, doing
19 business as 247Greenstreet.com and 247 Green Street (“Northway d.b.a. 247Greenstreet.com”)
20 engaged in the business of offering, originating, and making deferred deposit transactions to
21 California residents, as described below:

22 12. In or around June, 2011, Northway d.b.a. 247Greenstreet.com contacted at least one
23 California resident (“Customer B”) who submitted an online application for a payday loan. Customer
24 B received a document entitled, “Loan Agreement,” designating Northway Financial Corporation
25 Ltd. as the “Creditor” and Northway Broker Ltd. doing business as 247 Green Street as the “Broker.”
26 The face amount of the payday loan was \$700 with an annual percentage rate of 638.58%. The
27 finance charge was \$146.86, for a total payment of \$846.86. In addition, there was a \$29.00 fee for
28 each returned check.

1 13. After Customer B digitally signed the Loan Agreement, Northway dba
2 247Greenstreet.com made an electronic deposit of \$700 into Customer B's bank account. When the
3 due date on the deferred deposit transaction arrived, funds were withdrawn from Customer B's bank
4 account to repay the loan.

5 14. In or around August, 2011, Northway d.b.a. 247Greenstreet.com contacted another
6 California resident ("Customer C") who submitted an online application for a payday loan.
7 Northway d.b.a. 247Greenstreet.com emailed Customer C and arranged for an electronic deposit of
8 \$200 into Customer C's bank account. After depositing the \$200 into Customer C's bank account,
9 Customer C contacted Northway d.b.a. 247Greenstreet.com to cancel the loan agreement. Northway
10 d.b.a. 247Greenstreet.com then withdrew the \$200 from Customer C's bank account.

11 15. On March 6, 2012, the Commissioner issued the following:

12 (a) Desist and Refrain Order Pursuant to Financial Code section 23050, ordering
13 Northway Financial Corporation Ltd., Northway Broker Ltd., 247Greenstreet.com, and 247 Green
14 Street to desist and refrain from violating Financial Code sections 23005, 23035, and 23036;

15 (b) Order Voiding Transactions Pursuant to Financial Code section 23060, voiding
16 any and all deferred deposit transactions contracted with California customers or in the state of
17 California by Northway Financial Corporation Ltd., Northway Broker Ltd., 247Greenstreet.com, and
18 247 Green Street, and ordering Northway Financial Corporation Ltd., Northway Broker Ltd.,
19 247Greenstreet.com, and 247 Green Street to immediately cease collecting all principal amounts, and
20 return all principal amounts, provided in any and all deferred deposit transactions contracted with
21 California customers or in the state of California, and to disgorge any and all charges or fees received
22 in conjunction with those deferred deposit transactions; and

23 (c) Citations Pursuant to Financial Code section 23058, ordering Northway Financial
24 Corporation Ltd., Northway Broker Ltd., 247Greenstreet.com, and 247 Green Street to pay the
25 Commissioner an administrative penalty of two thousand five hundred dollars (\$2,500) for each of
26 the following six citations (6) for the total amount of fifteen thousand dollars (\$15,000) within 30
27 days from the date of the citation:

28 **CITATION A** – In June, 2011, Northway Financial, Northway Broker,

1 247Greenstreet.com, and 247 Green Street originated a deferred deposit transaction
2 with at least one California resident through their website, www.247greenstreet.com
3 without a license, in violation of Financial Code section 23005;

4 **CITATION B** – In June, 2011, Northway Financial, Northway Broker,
5 247Greenstreet.com, and 247 Green Street originated a deferred deposit transaction
6 with at least one California resident through their website, www.247greenstreet.com
7 without a license, in violation of the August 2008 Order;

8 **CITATION C** – In June, 2011, Northway Financial, Northway Broker,
9 247Greenstreet.com, and 247 Green Street originated a deferred deposit transaction
10 with at least one California resident (Customer B) with face amount greater than \$300,
11 in violation of section 23035(a);

12 **CITATION D** – In June, 2011, Northway Financial, Northway Broker,
13 247Greenstreet.com, and 247 Green Street originated a deferred deposit transaction
14 with at least one California resident (Customer B) charging excessive transaction and
15 returned check fees, in violation of section 23036(a) and (e), respectively;

16 **CITATION E** – In August, 2011, Northway Financial, Northway Broker,
17 247Greenstreet.com, and 247 Green Street originated a deferred deposit transaction
18 with at least one California resident (Customer C) through their website,
19 www.247greenstreet.com without a license, in violation of Financial Code section
20 23005; and

21 **CITATION F** – In August, 2011, Northway Financial, Northway Broker,
22 247Greenstreet.com, and 247 Green Street originated a deferred deposit transaction
23 with at least one California resident (Customer C) through their website,
24 www.247greenstreet.com without a license, in violation of the August 2008 Order.

25 16. On or about March 20, 2012, Northway Broker and Northway Financial were served
26 the foregoing Desist and Refrain Order, Order Voiding Transactions, and Citations issued on March
27 6, 2012 (“March 2012 Orders”) at their business address, Level 8, Plaza Commercial Centre, Bisazza
28 Street, Sliema SLM 15, Malta, European Union.

1 17. On or about April 18, 2012, Northway Broker and Northway Financial sent by mail a
2 letter declining to request a hearing to contest the March 2012 Orders. Hence, the Commissioner's
3 March 2012 Orders remain in full force and effect.

4 18. Northway Broker and Northway Financial have not paid the administrative penalty
5 totaling fifteen thousand dollars (\$15,000).

6 19. To date, Northway Broker and Northway Financial have never been issued a license
7 by the Commissioner authorizing them to engage in the business of originating deferred deposit
8 transactions under the CDDTL.

9
10 Desist and Refrain Order, Order Voiding Transactions, and Citations Issued on March 18, 2013

11 20. Yet, beginning in or around August, 2012, Northway Financial and Northway Broker
12 Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com ("Northway d.b.a. Pixy Cash") engaged in the business of
13 offering, originating, and making deferred deposit transactions to California residents, as described
14 below:

15 21. In or around August, 2012, Northway d.b.a. Pixy Cash arranged via the website,
16 www.pixycash.com, for an electronic deposit of \$275 into a California resident's ("Customer D")
17 bank account. On the due date, Northway d.b.a. Pixy Cash debited Customer D's bank account for
18 the loan amount of \$275 and a finance charge of \$63.19, totaling \$338.19.

19 22. In or around September, 2012, Northway d.b.a. Pixy Cash arranged via the website,
20 www.pixycash.com, for an electronic deposit of \$475 into a California resident's ("Customer E")
21 bank account. On the due date, Northway d.b.a. Pixy Cash debited Customer E's bank account for
22 the loan amount of \$475 and a finance charge of \$109.15, totaling \$584.15.

23 23. In or around January, 2013, Northway d.b.a. Pixy Cash arranged via the website,
24 www.pixycash.com, for an electronic deposit of \$175 into a California resident's ("Customer F")
25 bank account. On or around the due date, the Customer F paid Northway d.b.a. Pixy Cash the loan
26 amount of \$175 and a finance charge of \$43.72, totaling \$218.72. In addition, Northway d.b.a. Pixy
27 Cash had twice charged a returned check fee of \$29.00, totaling \$58.00.

28 24. On March 18, 2013, the Commissioner issued the following:

1 (a) Desist and Refrain Order Pursuant to Financial Code section 23050, ordering
2 Northway Financial Corporation Ltd. and Northway Broker Ltd. d.b.a. Pixy Cash a.k.a.
3 PixyCash.com to desist and refrain from violating Financial Code sections 23005, 23035, and 23036;

4 (b) Order Voiding Transactions Pursuant to Financial Code section 23060, voiding
5 any and all deferred deposit transactions contracted with California customers or in the state of
6 California by Northway Financial Corporation Ltd. and Northway Broker Ltd. d.b.a. Pixy Cash a.k.a.
7 PixyCash.com, and ordering Northway Financial Corporation Ltd. and Northway Broker Ltd. d.b.a.
8 Pixy Cash a.k.a. PixyCash.com to immediately cease collecting all principal amounts, and return all
9 principal amounts, provided in any and all deferred deposit transactions contracted with California
10 customers or in the state of California, and to disgorge any and all charges or fees received in
11 conjunction with those deferred deposit transactions; and

12 (c) Citations Pursuant to Financial Code section 23058, ordering Northway Financial
13 Corporation Ltd. and Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com to pay the
14 Commissioner an administrative penalty of two thousand five hundred dollars (\$2,500) for each of
15 the following thirteen (13) citations (Citations A through M) for the total amount of thirty-two
16 thousand five hundred dollars (\$32,500) within 30 days from the date of the citation:

17 **CITATION A** – In or around August, 2012, Northway Financial Corporation Ltd. and
18 Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com originated a deferred
19 deposit transaction with at least one California resident (Customer D) through the
20 website, www.pixycash.com, without a license, in violation of Financial Code section
21 23005;

22 **CITATION B** – In or around August, 2012, Northway Financial Corporation Ltd. and
23 Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com originated a deferred
24 deposit transaction with at least one California resident (Customer D) through the
25 website, www.pixycash.com, without a license, in violation of the August 2008 Order;

26 **CITATION C** – In or around August, 2012, Northway Financial Corporation Ltd. and
27 Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com originated a deferred
28 deposit transaction with at least one California resident (Customer D) through the

1 website, www.pixycash.com, without a license and charging an excessive transaction
2 fee, in violation of the March 2012 Orders;

3 **CITATION D** – In or around August, 2012, Northway Financial Corporation Ltd. and
4 Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com originated a deferred
5 deposit transaction with at least one California resident (Customer D) through the
6 website, www.pixycash.com, charging an excessive transaction fee, in violation of
7 section 23036(a);

8 **CITATION E** – In or around September, 2012, Northway Financial Corporation Ltd.
9 and Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com originated a deferred
10 deposit transaction with at least one California resident (Customer E) through the
11 website, www.pixycash.com, without a license, in violation of Financial Code section
12 23005;

13 **CITATION F** – In or around September, 2012, Northway Financial Corporation Ltd.,
14 and Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com originated a deferred
15 deposit transaction with at least one California resident (Customer E) through the
16 website, www.pixycash.com, without a license, in violation of the August 2008 Order;

17 **CITATION G** – In or around September, 2012, Northway Financial Corporation Ltd.
18 and Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com originated a deferred
19 deposit transaction with at least one California resident (Customer E) through the
20 website, www.pixycash.com, without a license, with a face amount of the check
21 greater than \$300 and an excessive transaction fee, in violation of the March 2012
22 Orders;

23 **CITATION H** – In or around September, 2012, Northway Financial Corporation Ltd.
24 and Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com originated a deferred
25 deposit transaction with at least one California resident (Customer E) through the
26 website, www.pixycash.com, with a face amount of the check greater than \$300, in
27 violation of section 23035(a);

28 **CITATION I** – In or around September, 2012, Northway Financial Corporation Ltd.

1 and Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com originated a deferred
2 deposit transaction with at least one California resident (Customer E) through the
3 website, www.pixycash.com, charging an excessive transaction fee, in violation of
4 section 23036(a);

5 **CITATION J** – In or around January, 2013, Northway Financial Corporation Ltd.,
6 and Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com originated a deferred
7 deposit transaction with at least one California resident (Customer F) through the
8 website, www.pixycash.com, without a license, in violation of Financial Code section
9 23005;

10 **CITATION K** – In or around January, 2013, Northway Financial Corporation Ltd.
11 and Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com originated a deferred
12 deposit transaction with at least one California resident (Customer F) through the
13 website, www.pixycash.com, without a license, in violation of the August 2008 Order;

14 **CITATION L** – In or around January, 2013, Northway Financial Corporation Ltd.
15 and Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com originated a deferred
16 deposit transaction with at least one California resident (Customer F) through the
17 website, www.pixycash.com, without a license and charging an excessive transaction
18 fee and returned check fee, in violation of the March 2012 Orders; and

19 **CITATION M** – In or around January, 2013, Northway Financial Corporation Ltd.
20 and Northway Broker Ltd. d.b.a. Pixy Cash a.k.a. PixyCash.com originated a deferred
21 deposit transaction with at least one California resident (Customer F) through the
22 website, www.pixycash.com, charging an excessive transaction fee and returned check
23 fee, in violation of sections 23036(a) and (e), respectively.

24 25. On or about March 26, 2013, the foregoing Desist and Refrain Order, Order Voiding
25 Transactions, and Citations issued on March 18, 2013 (“March 2013 Orders”) were sent via
26 international registered mail to Northway Broker and Northway Financial at their business address,
27 Level 5, Plaza Commercial Centre, Bisazza Street, Sliema SLM 1640, Malta, European Union.

28 26. On or about April 17, 2013, Northway Broker and Northway Financial sent via fax a

1 letter enclosing their prior April 18, 2012 correspondence declining to request a hearing to contest the
2 March 2012 Orders. Northway Broker and Northway Financial did not request a hearing. Hence, the
3 March 2013 Orders remain in full force and effect.

4 27. Northway Broker and Northway Financial have not paid the administrative penalty
5 totaling fifteen thousand dollars (\$15,000) pursuant to the March 2012 Orders or the administrative
6 penalty totaling thirty-two thousand five hundred dollars (\$32,500) pursuant to the March 2013
7 Orders.

8 28. To date, Northway Broker and Northway Financial have never been issued a license
9 by the Commissioner authorizing them to engage in the business of originating deferred deposit
10 transactions under the CDDTL.

11
12 CDDTL Violations (June, 2012 – January, 2014)

13 29. Yet, beginning from at least June, 2012, through in or around January, 2014,
14 Northway Financial and Northway Broker Ltd. d.b.a. Zip19 a.k.a. Zip19.com (“Northway d.b.a.
15 Zip19”) engaged in the business of offering, originating, and making deferred deposit transactions to
16 California residents, via the website, www.zip19.com, as described below:

17 30. In or around June, 2012, Northway d.b.a. Zip19 entered into a “Northway Financial
18 Corporation Ltd Loan Agreement” designating Northway Financial Corporation Ltd. as the “lender”
19 and “Creditor” and Northway Broker Ltd. doing business as Zip19 as the “Broker” in a transaction
20 with a California resident (“Customer G”). The face amount of the payday loan was \$975, with a
21 finance fee of \$194.80, for a total amount of \$1,169.80 due within two weeks.

22 31. In or around November, 2012, Northway d.b.a. Zip19 electronically deposited funds
23 into a California resident’s (“Customer H”) bank account. On or around November 19, 2012,
24 Northway d.b.a. Zip19 contacted Customer H via email sent by “E-Care Contact Centers On behalf
25 of Zip19.com,” listing a phone number of 866-643-2119, with the notification that Customer H owed
26 \$1,439.76 plus a non-sufficient funds fee of \$58.00, for a total amount of \$1,497.76. The email
27 stated that Northway Financial Corporation Ltd. was the “Credit Granting Institution.”

28 32. In or around January, 2014, Northway d.b.a. Zip19 sent via email a loan agreement

1 designating Northway Financial Corporation Ltd. as the “lender” and “Creditor” and Northway
2 Broker Ltd. doing business as Zip19 as the “Broker.” The face amount of the payday loan was
3 \$1,700 with a finance fee of \$339.66, for a total payment of \$2,039.66. Approximately two weeks
4 later, Northway d.b.a. Zip19 contacted Customer H via email sent by “E-Care Contact Centers On
5 behalf of Zip19.com,” listing a phone number of 866-816-7049, with the notification that Customer H
6 owed \$2,039.66. It also stated, “Please remember that once your payment is received, you will be
7 able to request another loan online within the hour.”

8 33. In or around January, 2014, Northway d.b.a. Zip 19 sent an email to Customer H
9 stating that “due to a technical issue with our payment provider we are unable to process electronic
10 payments.” The email provided two options to repay the loan, namely by submitting a credit card
11 payment on the website, www.zip19.com, or by contacting the Payment Services department at 1-
12 866-567-0888.

13 34. In or around December, 2013, Northway d.b.a. Zip19 electronically deposited \$400
14 into the bank account of a California resident (“Customer I”) who requested a loan on the website,
15 www.zip19.com. On or around January 3, 2014, Northway d.b.a. Zip19 electronically withdrew
16 \$479.92 from Customer I’s bank account.

17 35. On or around January 6, 2014, Northway d.b.a. Zip19 electronically deposited another
18 loan of \$400 into Customer I’s bank account. On or around January 29, 2014, Northway d.b.a. Zip19
19 contacted Customer I via email from customercare@zip19-email.com stating that while it was
20 working to resolve technical issues preventing electronic payments, Customer I’s outstanding loan
21 will be handled by its third-party partner, Midwest Fidelity Services, at the telephone number 1-800-
22 983-5027.

23 36. To date, Northway d.b.a. Zip19 has never been issued a license by the Commissioner
24 authorizing it to engage in the business of originating deferred deposit transactions under the
25 CDDTL.

26 37. As of April 28, 2014, www.zip19.com states the following: “Oasis Funds, LLC does
27 business as Zip19.com. Oasis Funds, LLC is a tribal limited liability company organized under tribal
28 law and an economic development arm of, instrumentality of, and wholly owned and controlled by

1 the Lac Courte Oreilles Band of Lake Superior Chippewa Indians, a federally-recognized sovereign
2 American Indian tribe.”

3 II.

4 DESIST AND REFRAIN ORDER

5 The California Department of Business Oversight (“Department”) is responsible for enforcing
6 provisions of the CDDTL found in California Financial Code commencing at section 23000. The
7 Commissioner is authorized to pursue administrative actions and remedies against persons who
8 engage in violations of the CDDTL.

9 Financial Code section 23050 provides, in pertinent part:

10 Whenever, in the opinion of the commissioner, any person is engaged in
11 the business of deferred deposit transactions . . . without a license from the
12 commissioner, or any licensee is violating any provision of this division,
13 the commissioner may order that person or licensee to desist and to refrain
14 from engaging in the business or further violating this division. If within
30 days, after the order is served, a written request for a hearing is filed
and no hearing is held within 30 days thereafter, the order is rescinded.

15 Financial Code section 23005, subdivision (a) provides in pertinent part:

16 (a) No person shall offer, originate, or make a deferred deposit transaction,
17 arrange a deferred deposit transaction for a deferred deposit originator, act
18 as an agent for a deferred deposit originator, or assist a deferred deposit
19 originator in the origination of a deferred deposit transaction without first
20 obtaining a license from the commissioner and complying with the
provisions of this division.

21 Financial Code section 23035 subdivision (a) limits the face amount of the check in a deferred
22 deposit transaction to three hundred dollars (\$300). Section 23036, subdivision (a) limits fees to 15%
23 of the face amount of the deferred deposit transaction. Section 23036, subdivision (e) limits the
24 exclusive fee charged for the return of a dishonored check to fifteen dollars (\$15).

25 The foregoing facts establish violations of the CDDTL by Northway Financial Corporation
26 Ltd. and Northway Broker Ltd. dba Zip19.com, including: 1) engaging in the business of originating
27 or offering to originate deferred deposit transactions without having first obtained a license to do so
28 from the Commissioner, in violation of section 23005, subdivision (a); 2) offering or originating

1 deferred deposit transactions with face amounts greater than \$300, in violation of section 23035,
2 subdivision (a); and 3) charging excessive transaction and returned check fees, in violation of section
3 23036, subdivisions (a) and (e), respectively.

4 Pursuant to Financial Code section 23050 Northway Financial Corporation Ltd. and
5 Northway Broker Ltd. dba Zip19.com are hereby ordered to desist and refrain from violating
6 Financial Code sections 23005, 23035, and 23036. This Order is necessary for the protection of
7 consumers and consistent with the purposes, policies, and provisions of the CDDTL. This Order
8 shall remain in full force and effect until further order of the Commissioner.

9 III.

10 **ORDER VOIDING CALIFORNIA DEFERRED DEPOSIT TRANSACTIONS**

11 Financial Code section 23060 provides:

12 (a) If any amount other than, or in excess of, the charges or fees permitted by
13 this division is willfully charged, contracted for, or received, a deferred deposit
14 transaction contract shall be void, and no person shall have any right to collect
15 or receive the principal amount provided in the deferred deposit transaction, any
16 charges, or fees in connection with the transaction.

17 (b) If any provision of this division is willfully violated in the making or
18 collection of a deferred deposit transaction, the deferred deposit transaction
19 contract shall be void, and no person shall have any right to collect or receive
20 any amount provided in the deferred deposit transaction, any charges, or fees in
21 connection with the transaction.

22 Pursuant to Financial Code section 23060 subdivisions (a) and (b), any and all deferred
23 deposit transactions contracted with California customers or in the state of California by Northway
24 Financial Corporation Ltd. and Northway Broker Ltd. dba Zip19.com are therefore void. Northway
25 Financial Corporation Ltd. and Northway Broker Ltd. dba Zip19.com are hereby ordered to
26 immediately cease collecting all principal amounts, and return all principal amounts, provided in any
27 and all deferred deposit transactions contracted with California customers or in the state of California,
28 and to disgorge any and all charges or fees received in conjunction with those deferred deposit
transactions.

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IV.
CITATIONS

For the CDDTL violations of Northway Financial Corporation Ltd. and Northway Broker Ltd. dba Zip19.com, the Commissioner herein issues twenty eight (28) separate Citations (1 – 28), as part of this single document:

CITATION 1 – In or around June, 2012, Northway Financial Corporation Ltd. and Northway Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California resident (Customer G) without a license, in violation of Financial Code section 23005;

CITATION 2 – In or around June, 2012, Northway Financial Corporation Ltd. and Northway Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California resident (Customer G) without a license, in violation of the August 2008 Order;

CITATION 3 – In or around June, 2012, Northway Financial Corporation Ltd. and Northway Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California resident (Customer G) without a license, in violation of the March 2012 Orders;

CITATION 4 – In or around June, 2012, Northway Financial Corporation Ltd. and Northway Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California resident (Customer G) with a face amount exceeding the limit of \$300, in violation of Financial Code section 23035;

CITATION 5 – In or around June, 2012, Northway Financial Corporation Ltd. and Northway Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California resident (Customer G) charging an excessive transaction fee, in violation of Financial Code section 23036;

CITATION 6 – In or around November, 2012, Northway Financial Corporation Ltd. and Northway Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California resident (Customer H) without a license, in violation of Financial Code section 23005;

CITATION 7 – In or around November, 2012, Northway Financial Corporation Ltd. and Northway Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California resident (Customer H) without a license, in violation of the August 2008 Order;

1 **CITATION 8** – In or around November, 2012, Northway Financial Corporation Ltd. and Northway
2 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
3 resident (Customer H) without a license, in violation of the March 2012 Orders;

4 **CITATION 9** – In or around November, 2012, Northway Financial Corporation Ltd. and Northway
5 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
6 resident (Customer H) with a face amount exceeding the limit of \$300, in violation of Financial Code
7 section 23035;

8 **CITATION 10** – In or around November, 2012, Northway Financial Corporation Ltd. and Northway
9 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
10 resident (Customer H) charging an excessive transaction fee, in violation of Financial Code section
11 23036;

12 **CITATION 11** – In or around January, 2014, Northway Financial Corporation Ltd. and Northway
13 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
14 resident (Customer H) without a license, in violation of Financial Code section 23005;

15 **CITATION 12** – In or around January, 2014, Northway Financial Corporation Ltd. and Northway
16 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
17 resident (Customer H) without a license, in violation of the August 2008 Order;

18 **CITATION 13** – In or around January, 2014, Northway Financial Corporation Ltd. and Northway
19 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
20 resident (Customer H) without a license, in violation of the March 2012 Orders;

21 **CITATION 14** – In or around January, 2014, Northway Financial Corporation Ltd. and Northway
22 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
23 resident (Customer H) without a license, in violation of the March 2013 Orders;

24 **CITATION 15** – In or around January, 2014, Northway Financial Corporation Ltd. and Northway
25 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
26 resident (Customer H) with a face amount exceeding the limit of \$300, in violation of Financial Code
27 section 23035;

28

1 **CITATION 16** – In or around January, 2014, Northway Financial Corporation Ltd. and Northway
2 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
3 resident (Customer H) charging an excessive transaction fee, in violation of Financial Code section
4 23036;

5 **CITATION 17** – In or around December, 2013, Northway Financial Corporation Ltd. and Northway
6 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
7 resident (Customer I) without a license, in violation of Financial Code section 23005;

8 **CITATION 18** – In or around December, 2013, Northway Financial Corporation Ltd. and Northway
9 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
10 resident (Customer I) without a license, in violation of the August 2008 Order;

11 **CITATION 19** – In or around December, 2013, Northway Financial Corporation Ltd. and Northway
12 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
13 resident (Customer I) without a license, in violation of the March 2012 Orders;

14 **CITATION 20** – In or around December, 2013, Northway Financial Corporation Ltd. and Northway
15 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
16 resident (Customer I) without a license, in violation of the March 2013 Orders;

17 **CITATION 21** – In or around December, 2013, Northway Financial Corporation Ltd. and Northway
18 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
19 resident (Customer I) with a face amount exceeding the limit of \$300, in violation of Financial Code
20 section 23035;

21 **CITATION 22** – In or around December, 2013, Northway Financial Corporation Ltd. and Northway
22 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
23 resident (Customer I) charging an excessive transaction fee, in violation of Financial Code section
24 23036;

25 **CITATION 23** – In or around January, 2014, Northway Financial Corporation Ltd. and Northway
26 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
27 resident (Customer I) without a license, in violation of Financial Code section 23005;

28

1 **CITATION 24** – In or around January, 2014, Northway Financial Corporation Ltd. and Northway
 2 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
 3 resident (Customer I) without a license, in violation of the August 2008 Order;

4 **CITATION 25** – In or around January, 2014, Northway Financial Corporation Ltd. and Northway
 5 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
 6 resident (Customer I) without a license, in violation of the March 2012 Orders;

7 **CITATION 26** – In or around January, 2014, Northway Financial Corporation Ltd. and Northway
 8 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
 9 resident (Customer I) without a license, in violation of the March 2013 Orders;

10 **CITATION 27** – In or around January, 2014, Northway Financial Corporation Ltd. and Northway
 11 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
 12 resident (Customer I) with a face amount exceeding the limit of \$300, in violation of Financial Code
 13 section 23035; and

14 **CITATION 28** – In or around January, 2014, Northway Financial Corporation Ltd. and Northway
 15 Broker Ltd. dba Zip19.com originated a deferred deposit transaction with at least one California
 16 resident (Customer I) charging an excessive transaction fee, in violation of Financial Code section
 17 23036.

18 Financial Code section 23058 gives the Commissioner the authority to issue citations for the
 19 foregoing CDDTL violations. Section 23058 states:

20 (a) If, upon inspection, examination or investigation, based upon a complaint or
 21 otherwise, the department has cause to believe that a person is engaged in the
 22 business of deferred deposit transactions without a license, or a licensee or
 23 person is violating any provision of this division or any rule or order thereunder,
 24 the department may issue a citation to that person in writing, describing with
 25 particularity the basis of the citation. Each citation may contain an order to
 desist and refrain and an assessment of an administrative penalty not to exceed
 two thousand five hundred dollars (\$2,500). All penalties collected under this
 section shall be deposited in the State Corporations Fund.

26 (b) The sanctions authorized under this section shall be separate from, and in
 27 addition to, all other administrative, civil, or criminal remedies.

28 (c) If within 30 days from the receipt of the citation of the person cited fails to

1 notify the department that the person intends to request a hearing as described in
2 subdivision (d), the citation shall be deemed final.

3 (d) Any hearing under this section shall be conducted in accordance with
4 Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2
5 of the Government Code, and in all states the commissioner has all the powers
6 granted therein.

7 (e) After the exhaustion of the review procedures provided for in this section,
8 the department may apply to the appropriate superior court for a judgment in the
9 amount of the administrative penalty and order compelling the cited person to
10 comply with the order of the department. The application, which shall include a
11 certified copy of the final order of the department, shall constitute a sufficient
12 showing to warrant the issuance of the judgment and order.

13 Pursuant to Financial Code section 23058, Northway Financial Corporation Ltd. and
14 Northway Broker Ltd. dba Zip19.com is hereby ordered to pay the Commissioner an administrative
15 penalty of two thousand five hundred dollars (\$2,500) for each of the twenty eight (28) separate
16 Citations (1 – 28) for the total amount of seventy thousand dollars (\$70,000) within thirty (30) days
17 from the date of this citation.

18 Dated: May 14, 2014
19 Los Angeles, California

20 JAN LYNN OWEN
21 Commissioner of Business Oversight

22 By: _____
23 MARY ANN SMITH
24 Deputy Commissioner