STATE OF CALIFORNIA
**Department of Business Oversight**
GOVERNOR **Gavin Newsom** ▪ COMMISSIONER **Jan Lynn Owen**

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# DBO Continues Crackdown on Interest Rate Cap Avoidance Entering Consent Order with California Check Cashing Stores

*$900,000 Agreement Provides Borrower Refunds, Penalties, Changes in Policies*

SACRAMENTO **–** The California Department of Business Oversight (DBO) today finalized a $900,000 settlement with California Check Cashing Stores, LLC (CCCS), that continues a broader DBO crackdown on lender avoidance of interest rate limits on small-dollar consumer loans.

"Steering consumers into higher-cost loans to circumvent statutory interest rate caps is abusive," said DBO Commissioner Jan Lynn Owen. "Consumers deserve protection and access to lending markets that are fair, transparent and comply with the law."

The settlement, executed in a consent order, requires CCCS to pay $105,000 in costs and penalties and refund approximately $100,000 for some 1,200 consumer loans and approximately $700,000 for some 3,000 payday loan transactions. Consumers who believe they may qualify for a refund should contact the company. California Check Cashing Stores is a subsidiary of Direct Financial Solutions, LLC, which is owned by Community Choice Financial, Inc.

The consent order resolves allegations from the Department's examinations of CCCS's business licensed under the California Financing Law (CFL) from 2014 and its payday-lending business from 2012 to 2017. The DBO found that CCCS overcharged interest and administrative fees by steering borrowers into loans of more than $2,500 to evade the CFL's interest rate caps, which do not apply to loans of $2,500 or more. The settlement also resolves allegations that CCCS made false, misleading, or deceptive statements in its advertising by stating in brochures that it made loans of "up to $5,000" even though the minimum amount it offered was $2,501.

The consent order also resolves allegations that CCCS overcharged about $700,000 in 3,000 payday loan transactions by collecting charges twice, allowed borrowers to take out a new loan before an old loan was paid off and deposited some borrowers' checks before the due date specified in the loan agreements without their written authorization.

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The CCCS consent order follows four similar actions by the DBO against Speedy Cash, Advance America, Check Into Cash of California, Inc. and Quick Cash Funding, LLC. The DBO settled the Check Into Cash and Quick Cash Funding actions in December 2017, Advance America in March 2018, and Speedy Cash in October 2018. The cases are part of the DBO's ongoing effort to investigate the extent to which licensed lenders have improperly evaded the CFL interest rate limits.

Speedy Cash agreed to refund about $700,000 to 6,400 borrowers and pay $50,000 in penalties and costs. The DBO alleged the company steered consumers into higher-interest loans by telling them that state law prohibited loans of less than $2,600 but that they could make an advance payment shortly after funding of whatever amount they did not want.

Advance America agreed to refund $82,000 to 519 borrowers and pay an administrative penalty of $78,000. The DBO alleged that Advance America improperly added Department of Motor Vehicle fees to the amount of loans, which brought the loans' total to more than $2,500.

Check Into Cash agreed to refund $121,600 to 694 customers and pay $18,000 to cover the DBO's investigation costs. Quick Cash Funding agreed to provide $58,200 of refunds to 423 borrowers, and $9,700 in penalties and costs.

In the Check Into Cash case, the DBO alleged the company deceived consumers into taking out loans that exceeded $2,500 by falsely telling them state law prohibited loans smaller than that amount. Quick Cash Funding, the DBO alleged, steered customers into loans greater than $2,500 for the express "purpose of evading" the interest rate caps.

These recent actions reflect the DBO's continued focus on protecting consumers from abusive high-interest loans. In September 2018, the DBO launched a fact-finding inquiry to examine the relationship between lead generation and high-interest loans. The DBO is also investigating whether certain high-interest loans are unconscionable under the California Supreme Court's recent decision, De La Torre v. CashCall.

The DBO licenses and regulates more than 360,000 individuals and entities that provide financial services in California. The DBO's regulatory jurisdiction extends over state-chartered banks and credit unions, money transmitters, securities broker-dealers, investment advisers, non-bank installment lenders, payday lenders, mortgage lenders and servicers, escrow companies, franchisors and more.

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