

**DEPARTMENT OF BUSINESS OVERSIGHT***Ensuring a Fair and Secure Financial Services Marketplace for all Californians***JAN LYNN OWEN****Commissioner of Business Oversight****For Immediate Release**

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**Contact:** Tom Dresslar

(916) 322-5275

## **Lender CashCall to Pay Restitution, \$1 Million in Penalties and Costs to Settle Case with DBO**

*Firm Misled and Overcharged Consumers*

SACRAMENTO – The Department of Business Oversight (DBO) today announced a [settlement](#) with CashCall, Inc. that requires the lender to provide restitution to thousands of California borrowers, reform its business practices, and pay the DBO \$1 million in penalties and cost reimbursement.

“CashCall engaged in a large-scale predatory lending scheme,” said DBO Commissioner Jan Lynn Owen. “This settlement holds the company accountable for its unlawful conduct and compensates the victims of these unscrupulous practices.”

The settlement resolves allegations filed by DBO last year that CashCall unlawfully deceived consumers, filed false reports with the Commissioner and made false representations to the Commissioner.

CashCall will pay wronged borrowers \$125 each in restitution. The final number of eligible borrowers and the ultimate restitution total will be determined by a third-party auditor who will examine CashCall’s files. CashCall’s preliminary review of its files indicates thousands of customers will receive restitution. CashCall must make the restitution payments within 90 days.

State law caps interest rates on consumer and commercial loans made by non-bank lenders. But the limits only apply to loans smaller than \$2,500. The law imposes no interest rate restrictions on loans of \$2,500 or more.

The DBO alleged CashCall used deceptive sales pitches and marketing practices to dupe consumers into taking out personal loans of \$2,500 or more even though the customers didn’t need or want to borrow that much money. Here’s how the alleged scheme worked:

- In ads, CashCall said it provided personal loans of “up to” \$2,600, \$5,000 or \$10,000. But when consumers called or visited CashCall’s website, they were told the firm did not make loans of less than \$2,600.
- If consumers informed CashCall they wanted a loan of less than \$2,600, CashCall told them they could just give back the amount they did not want in the form of a prepayment. That way, CashCall told consumers, they could net substantial savings on interest payments.
- However, CashCall failed to tell consumers that since the loan was for \$2,600, the firm could charge unlimited interest rates. On loans of less than \$2,500, in contrast, state law generally caps interest rates at about 30 percent. On the loans at issue, CashCall typically charged annual interest of 135 percent or more, and sometimes up to 179 percent.

- To make matters worse in these cases, the DBO alleged CashCall often failed to withdraw scheduled monthly payments from customers' bank accounts. That had the effect of lengthening the loan term and reducing any interest savings.

To prevent similar violations in the future, the settlement requires CashCall to reform the way it conducts business.

In all ads that market non-mortgage and non-auto loans to Californians, CashCall now will disclose in a "clear and conspicuous manner" that the minimum loan amount is \$2,600. Additionally, when customers say they want to borrow less than \$2,600, CashCall now will have to tell them the firm does not make loans for less than that amount, that state law caps interest rates on loans of less than \$2,500 at about 30 percent, and that the capped rate is lower than the rate CashCall charges. The firm will implement additional consumer protection reforms required by the settlement agreement.

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