



# Illegal Internet Payday Lending Bulletin

**Payday lending sites have mushroomed across the Internet and the Department of Business Oversight strongly urges consumers to verify a lender is licensed before sharing personal information and borrowing funds.**

## **Increase In Unlicensed Internet Payday Lending**

Technology has profoundly altered how financial transactions may be originated and how consumers borrow money. Many financial service providers, particularly payday lenders, are migrating to or establishing themselves on the Internet. According to a July 2012 study by the Pew Charitable Trusts Foundation, 21 percent of payday loan customers utilize Internet lenders. The share of Internet payday lending is expected to accelerate in the coming years. Unfortunately, some payday lenders who operate online fail to obtain a license with the Department of Business Oversight, evading state laws designed to protect consumers.

50 percent of Americans  
banked online in 2010  
- Pew Research Center

### **What can happen if I use an unlicensed Internet payday lender**

- Lenders may collect from your bank account directly without your permission, even if you are unable to repay the loan.
- You can be charged an interest rate far higher than California law allows.
- Unlicensed Internet payday lenders may sell or pirate personal financial information even before a loan is agreed to or the borrower opts to not complete the transaction.
- Your lender may be operating out-of-state or overseas, which means if they violate the law it is hard to track them down, prosecute, and recover your lost funds.

The Department of Business Oversight strongly urges potential Internet payday loan customers to be wary of these types of loans. Many Internet payday lenders may be difficult for you to contact by providing little or no identifying information and operating out of locations around the world. As of May 2013, the Department has taken action against illegal Internet lenders in Costa Rica, Malta, Belize and the United Kingdom.

Tracking the physical location of Internet lenders is very complicated and we strongly encourage you to **KNOW WHO YOU ARE BORROWING FROM!**

**Always check with the Department of Business Oversight  
on a lender's license BEFORE you apply for a loan.**

**[www.DBO.ca.gov/fsd/licensees](http://www.DBO.ca.gov/fsd/licensees)**

### **Verifying the License of an Internet Payday Lender**

If you are a California resident and you use an Internet payday lender not licensed in California you may be forsaking your consumer protections and highly vulnerable to fraud or outright theft. Many Internet payday lenders claim to be licensed by the State of California but are not. You can verify licensure by checking [www.dbo.ca.gov/fsd/licensees](http://www.dbo.ca.gov/fsd/licensees) or calling 1-866-275-2677.

The federal government does not license any Internet payday lender and you should avoid any and all lenders that claim to have a federal license.

#### **If You or Someone You Know Has Borrowed From an Unlicensed Lender**

Call the Department of Business Oversight at 1-866-275-2677. If you wish to file a formal complaint against an unlicensed lender, please visit [www.dbo.ca.gov](http://www.dbo.ca.gov) and select "Submit a Complaint" under "Consumers." The Department will investigate the complaint which may lead to the Department taking action against the company if it is found to be operating illegally.

If you are considering borrowing from an online payday lender, check if the Department has previously issued an order regarding that lender's activity at [www.dbo.ca.gov/enf](http://www.dbo.ca.gov/enf).

## **Report unlicensed Internet payday lending activity to the Department of Business Oversight**

**[www.dbo.ca.gov](http://www.dbo.ca.gov)**

**1-866-275-2677**

*The Department of Business Oversight (DBO) provides protection to consumers and services to businesses engaged in financial transactions. The Department regulates a variety of financial services, products and professionals. The Department oversees the operations of state-licensed financial institutions, including banks, credit unions, money transmitters, issuers of payment instruments and travelers checks, and premium finance companies. Additionally, the Department licenses and regulates a variety of financial businesses, including securities brokers and dealers, investment advisers, deferred deposit transactions (commonly known as payday loans) and certain fiduciaries and lenders. The Department regulates the offer and sale of securities, franchises and off-exchange commodities.*