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Deputy Commissioner  
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8 Attorneys for Complainant

9  
10 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION  
11 OF THE STATE OF CALIFORNIA

12 In the Matter of: ) CDDTL LICENSE NO. 10DBO-103480  
13 )  
14 THE COMMISSIONER OF FINANCIAL )  
PROTECTION AND INNOVATION, ) ACCUSATION  
15 )  
16 Complainant, )  
v. )  
17 JAMES FRANCIS MATTHEWS, an )  
individual, )  
18 )  
19 Respondent. )

20  
21 Complainant, the Commissioner of Financial Protection and Innovation (Commissioner) is  
22 informed and believes, and based upon such information and belief, alleges and charges Respondent  
23 as follows:

24 I.

25 **Introduction**

26 1. The Commissioner has jurisdiction over the licensing and regulation of persons and  
27 entities engaged in originating deferred deposit transactions under the California Deferred Deposit  
28 Transaction Law (CDDTL) (Fin. Code § 23000 et. seq).

1           2.         James Francis Matthews (Matthews) is an individual and sole proprietor licensed as a  
2 California deferred deposit transaction originator pursuant to the CDDTL with the license number  
3 10DBO-103480. Matthew’s principal place of business is located at 1650 Cienega Road, Hollister  
4 California 95023.

5           3.         A deferred deposit transaction is a written transaction whereby one person gives  
6 funds to another person upon receipt of a personal check along with an agreement that the personal  
7 check shall not be deposited until a later date. These transactions are also referred to as “payday  
8 advances” or “payday loans.”

9                                 **II.**

10                     **Failure to Maintain Books and Records or Respond to the Commissioner’s Demand**

11           4.         In accordance with Financial Code section 23007, all licensees under the CDDTL are  
12 required to file financial statements that show a net worth of at least \$25,000.00. Further, pursuant to  
13 California Code of Regulations, title 10, section 2025(b), all licensees are required to maintain  
14 books, accounts and records demonstrating minimum net worth requirements in compliance with  
15 Financial Code section 23007.

16           5.         Financial Code section 23048(b) states that “The Commissioner may require the  
17 production for examination in this state of all books, records, and supporting data used by the  
18 licensee in the preparation of reports to the commissioner. The books, records, and supporting data  
19 shall be made available for examination by the commissioner in this state within 10 days after a  
20 written demand.”

21           6.         On January 24, 2022, the Commissioner commenced a regulatory examination of the  
22 books and records of Matthews (2022 Examination). Prior to starting the 2022 Examination, the  
23 Commissioner requested that Matthews provide books and records including, the most recent  
24 quarterly financial statements as of December 31, 2020, March 31, 2021, June 30, 2021, and  
25 September 30, 2021, prepared in accordance with Generally Accepted Accounting Principles  
26 (GAAP).

27           7.         In response to the Commissioner’s request for books and records, Matthews provided  
28 partial documents, including a record titled, “Personal Financial Statement.” Matthews did not

1 provide quarterly financial statements for the time frame requested and the documents he provided  
2 were not prepared in accordance with GAAP.

3 8. On January 24, 2022, the Commissioner’s Examiner (Examiner) assigned to the 2022  
4 Examination sent another request to Matthews via email demanding he produce the last four  
5 quarterly Balance Sheets and Income Statements as of December 31, 2020, March 31, 2021, June 30,  
6 2021, and September 9, 2021, prepared in accordance with GAAP.

7 9. In his response to the Commissioner’s request of January 24, 2022, Matthews  
8 questioned the Commissioner’s authority to request the documents and basis for demanding that the  
9 financial statements be prepared in accordance with GAAP. The Examiner provided the relevant  
10 sections of the law to Matthews and advised him to seek assistance from an accountant to prepare his  
11 financial statements.

12 10. On January 25, 2022, Matthews sent an email to the Examiner attaching some  
13 financial records and asserting that he already submitted all responsive documents to the  
14 Commissioner. A review of the financial documents Matthews provided showed that the documents  
15 were not prepared in accordance with GAAP. The Commissioner made numerous attempts to  
16 contact Matthews by telephone to discuss the financial records he produced but Matthews did not  
17 respond to the calls.

18 11. Based on the information Matthews provided, the Commissioner determined that the  
19 financial statements received by the Department were not prepared in accordance with GAAP and do  
20 not show a minimum Net Worth requirement of \$25,000.00 at all times.

21 12. On April 16, 2022, the Commissioner sent a list of preliminary examination findings  
22 to Matthews by email for his review and signature. On April 16, 2022, Matthews sent an email to the  
23 Commissioner maintaining that he has provided all the documents requested and threatening to  
24 request an administrative hearing if the Commissioner continued to request information from him.

25 13. To date, the Commissioner has not received the documents demanded from  
26 Matthews.

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**III.**

**Failure to Pay Annual Assessment or Maintain Surety Bond**

14. In accordance with Financial Code section 23016(b), Matthews is required to pay an annual assessment for the fiscal year 2022-2023 on or before June 20, 2022.

15. On or around May 20, 2022, and pursuant to Financial Code section 23016(b), the Commissioner emailed an invoice number DD0096 for the 2022-2023 fiscal year assessment, along with an Assessment Notice to Matthews informing him that his annual assessment was due June 20, 2022. The Assessment Notice further warned that if payment was not made on or before June 30, 2022, Matthews’ license may be summarily suspended or revoked pursuant to Financial Code section 23016(c).

16. The Commissioner did not receive a response from Matthews. The Commissioner sent additional notifications to Matthews via email on June 23, June 29, and July 6, 2022, requesting that he pay his CDDTL annual assessment for 2022-2023 due June 20, 2022, but to date, Matthews has not paid his annual assessment.

17. Pursuant to Financial Code section 23013(a), Matthews is required to maintain a surety bond in the amount of \$25,000.00 at all times.

18. On or about December 12, 2022, the Commissioner received notice of a pending cancellation of Matthews’ surety bond, number 6004401, with an effective cancellation date of January 5, 2023 (Cancellation Notice).

19. On December 16, 2022, the Commissioner sent a letter dated December 16, 2022, to Matthews via email and U.S. certified mail, informing Matthews of the Cancellation Notice and demanding that he file a replacement bond or notice of reinstatement with the Commissioner immediately but not later than the date of the cancellation. To date, the Commissioner has not received a new replacement bond or notice of reinstatement from Matthews.

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IV.

Revocation Statute

20. 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.

21. Financial Code section 23013 provides in pertinent part:

23013. (a) A licensee shall maintain a surety bond in accordance with this subdivision in the amount of twenty-five thousand dollars (\$25,000)....

(b) When an action is commenced on a licensee’s bond, the commissioner may require the filing of a new bond. Immediately upon recovery of any action on the bond, the licensee shall file a new bond. Failure to file a new bond within 10 days of the recovery on a bond, or within 10 days after notification by the commissioner that a new bond is required, constitutes sufficient grounds for the suspension or revocation of the license.

22. By reason of the foregoing, Matthews has violated provisions of the Financial Code by: (i) failing to maintain books and records and/or file financial statements that demonstrate a net worth of at least \$25,000.00, in violation of Financial Code section 23007 and California Code of Regulations, title 10, section 2025(b); (ii) failing to maintain books, accounts and records that are in accordance with GAAP and good business practices, in violation of section 2026 of the California Code of Regulations; (iii) failing to pay his 2022-2023 fiscal year CDDTL annual assessment, in violation of section 23016 (b); (iv) failing to maintain a surety bond, in violation of Financial Code

1 section 23013(a); and failing to produce books and records 10 days after a written demand by the  
2 Commissioner in violation of Financial Code section 23048(b).

3 **V.**

4 **Conclusion**

5 Matthews has failed to maintain books and records or file financial statements that indicate a  
6 net worth of at least \$25,000.00. Further, Matthews failed to pay his annual assessment for the year  
7 ended 2021 or maintain a surety bond; and to comply with the demand of the Commissioner.

8 **VI.**

9 **Prayer**

10 WHEREFORE, Complainant, the Commissioner of Financial Protection and  
11 Innovation prays that the deferred deposit transaction license number 10DBO-103480  
12 issued to James Francis Matthews, be revoked pursuant to Financial Code section 23052.  
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14 Dated: March 17, 2023  
15 Los Angeles, California

CLOTHILDE V. HEWLETT  
Commissioner of Financial Protection and Innovation

16 By \_\_\_\_\_  
17 UCHE L. ENENWALI  
18 Senior Counsel  
19 Enforcement Division  
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