

CFA Summary of FTC Actions Related to Online Payday Loans

Updated October 2011

Case Name: Federal Trade Commission, Plaintiff v. Payday Financial, LLC; Great Sky Finance, LLC; Western Sky Financial, LLC; Red Stone Financial, LLC; Management Systems, LLC; 24-7 Cash Direct, LLC; Red River Ventures, LLC; High Country Ventures, LLC; Financial Solutions, LLC; and Martin A. Webb, individually and as an officer of Payday Financial, LLC; Great Sky Finance, LLC; Western Sky Financial, LLC; Red Stone Financial, LLC; Management Systems, LLC; 24-7 Cash Direct, LLC; Red River Ventures, LLC; High Country Ventures, LLC, and Financial Solutions, LLC, Defendants.

Date: 9/12/11

FTC File No. 112 3023 <http://www.ftc.gov/os/caselist/1123023/index.shtm>

Lender URL:

<http://www.lakotacash.com/>, <http://www.bigskycash.com/>, <http://www.paydayfinancialllc.com/>, www.greatskycash.com, www.westernsky.com, www.redstonecash.com, www.managementsystemsllc.net, www.24sevenolution.com, www.togethersh.com, www.citiviewcash.com, www.impactcashusa.com,

Lender Address:

612 E Street, Timber Lake, South Dakota

Type of Action/Laws Violated:

Section 5(a) of the FTC; violation of Credit Practices Rule; violation of Electronic Fund Transfer Act and Reg E.

Transaction:

“The defendants offer short-term, high-fee, unsecured payday loans of \$300 to \$2,525 to consumers throughout the country, advertising on television and through websites such as www.bigskycash.com and www.westernsky.com.”

The defendants misrepresented that they are “legally authorized to garnish an employee’s wages, without first obtaining a court order; falsely representing to employers that the defendants have notified consumers about the pending garnishment and have given them an opportunity to dispute the debt; and unfairly disclosing the existence and the amounts of consumers’ supposed debts to employers and co-workers without the consumers’ knowledge or consent.”

Outcome:

9/6/2011

FTC filed the complaint and a request for preliminary relief September 6, 2011.

9/7/2011

The Court accepted and entered a preliminary injunction to immediately halt the alleged unlawful conduct.

Case Name: Federal Trade Commission v. Michael Bruce Moneymaker, a/k/a Bruce Moneymaker, Mike Smith, and Michael Bruce Millerd, individually and as an officer and director of the corporate defendants, and also doing business as Fortress Secured; Daniel de la Cruz, individually, as an officer and director of the corporate defendants, and also doing business as Fortress Secured; Belfort Capital Ventures, Inc.; Dynamic Online Solutions, LLC; HSC Labs, Inc.; Seaside Ventures Trust; and John Doe. No. 1, in his capacity as trustee of Seaside Ventures Trust

Date: 3/28/11

Lender URL:

www.spccredit.com

www.loantemls.cl replaced by www.loantermsonline.com

Lender Address:

Belfort Capital Ventures, Inc.

8668 Spring Mountain Road, Suite 101, Las Vegas, Nevada 89117

Dynamic Online Solutions, LLC

8550 West Desert Inn Road, Suite 102-381, Las

Vegas, Nevada 89117

HSC Labs, Inc.

8668 Spring Mountain Road, Las Vegas, Nevada 89117

Red Dust Studios, Inc.

8668 Spring Mountain Road, Las Vegas, Nevada 89117

Seaside Ventures Trust

8550 West Desert Inn Road, Suite 101, Las

Vegas, Nevada 89117

Type of Action/Laws Violated:

Section 5(a) of the FTC Act

Transaction:

“Defendants have been engaging in a common enterprise in which they charge consumers' bank accounts without consumers' knowledge or consent. Defendants obtain consumers' bank account information from websites that claim to match consumers with payday lenders. With this information, Defendants enroll consumers in a variety of "continuity programs," programs for which they charge consumers an initial enrollment fee as well as recurring fees on a weekly or monthly basis until consumers take an affirmative action to cancel. Consumers learn of these charges only when they notice withdrawals from their checking accounts.”

Outcome:

3/29/11

Ex Parte Temporary Restraining Order with Ancillary Relief

Case Name: FTC vs. LOANPOINTE, LLC, EASTBROOK, LLC, also d/b/a Ecash and GeteCash et. al.

FTC File No. 102-3021

<http://www.ftc.gov/os/caselist/1023021/index.shtm>

Date:

4/7/10

Lender URL:

www.getecash.com

Lender Address:

LoanPointe, LLC
11529 North Bull River Circle,
Highland, Utah

Eastbrook, LLC
696 North 1890 West,
Provo, Utah

Type of Action/Laws Violated:

FTC Act - Section 5

FDCPA

Credit Practices Rule

Transaction:

Online applicants were required to check a box in the application form that allowed the lenders to garnish borrowers' wages in order to cover delinquent loan payments. This was an attempt to circumvent federal rules for wage garnishment. Additionally, the wage assignment clause in the application was in very small print and located near the bottom of the third of four pages of

small print disclosures. Because of this, many borrowers' were likely unaware of the clause.

Also, lenders sent wage garnishment forms and supporting documentation that closely resembled documentation that U.S. government agencies use when seeking to garnish wages for nontax debts owed to the U.S. In these materials, lenders falsely represented to employers that they could garnish wages from borrowers without first obtaining a court order.

Outcome:

4/7/10:

Preliminary injunction barring lenders from further violations

9/2/10:

Settlement Order for Defendant Mark S. Lofgren

- banned from collecting debts through wage assignment.
- permanently prohibited from:
 - misrepresenting facts in order to collect a debt;
 - contacting a consumer's employer in trying to collect a debt, unless he is seeking location information or has a valid court order of garnishment; and
 - disclosing a debt to any third party.
- barred from violating the Credit Practices Rule and the Fair Debt Collection Practices Act,
- selling or otherwise benefitting from customers' personal or financial information, and
- failing to properly dispose of customer information.

The order also imposes a \$38,133 judgment.

Benjamin J. Lonsdale and James C. Endicott were dismissed by the FTC.

Litigation continues against Joe S. Strom, LoanPointe, LLC, and Eastbrook, LLC, also doing business as Ecash and GeteCash.

Case Name: FTC v. Swish Marketing

Date: 9/19/09

Lender URL:

ChristianFaithFinancial.com, MagnoliaFinancial.org, ThatcherPrescott.com, PaydayUSA.org, SouthernFinancialFunding.com, MtWhitneyFinancial.com, PaydayMatchup.com, AdditionalEarning.com, PrescottFinancial.com, MaximumWagesNow.com, OnlinePayday.org, OrchidFinancial.org, MalibuFinancial.com, SilentCashLending.com, InstantPaydayMatchup.com, MyFamilyLoans.org, WomensPaychecks.com, CompareAdvances.com, AtlasPeakFinancial.com, ShortTermLoanExpert.com, CheckCashCentrale.com, MtVernonFinancial.com, PaydayLoanQuotes.com, RockOfMaine.com, UpTo500.com, and HarborCreditCashAdvance.com

Lender Address:

555 Bryant Street, No. 349
Palo Alto, CA 94301

Type of Action/Laws Violated:

FTC Act - Section 5

Transaction:

During the online application, when applicants clicked a button that said "Finish matching me with a payday loan provider", they were automatically signed up to purchase a prepaid debit card. Consumers were charged a card enrollment fee of \$39.95 to \$54.95 for the card. In some instances, consumers were led to believe they were receiving a free "BONUS" card while being charged a \$39.95-54.95 fee that was debited from their bank accounts.

Note: during the transactions described in this case, Swish Marketing was acting in conjunction with VirtualWorks.

Outcome:

4/20/09

Complaint amended to include exhibits that show websites with payday loan application forms.

Added allegations that the defendants sold consumers' bank account information to the debit card company without the consumers' consent and that defendants were made aware of consumer complaints about the unauthorized debits.

10/4/09

Settlement with FTC.

\$850,000 fine

Defendants barred from further violations.

Also requires that:

- transactions be affirmatively authorized by consumers
- monitoring of affiliates to ensure compliance
- cooperation to the FTC in its ongoing litigation.

03/17/11

Two of the defendants ordered to pay \$800,000 and the proceeds from the sale of a house to settle the FTC's charges. The defendants are "barred from: misrepresenting material facts about any product or service, such as the cost or the method for charging consumers; misrepresenting that a product or service is free or a "bonus" without disclosing all material terms and conditions; charging consumers without first disclosing what billing information will be used, the amount to be paid, how and on whose account the payment will be assessed, and all material terms and conditions; and failing to monitor their marketing affiliates to ensure that they are in compliance with the order."

Case Name: FTC v. VirtualWorks LLC et. Al

FTC File No. 072 3241

<http://www.ftc.gov/os/caselist/0723241/c0903815.shtm>

Date: 8/19/09

Lender URL: n/a

Lender Address:
655 Mystic Way,
Laguna Beach, CA
92651

Type of Action/Laws Violated:
FTC Act - Section 5

Transaction:

Defendants falsely represented to consumers that they were only applying for a loan when they were also buying a prepaid debit card. During the online application, when applicants clicked a button that said "Finish matching me with a payday loan provider", they were automatically signed up to purchase a prepaid debit card. Consumers were charged a card enrollment fee of \$39.95 to \$54.95 for the card. In some instances, consumers were led to believe they were receiving a free "BONUS" card while being charged a \$39.95-54.95 fee that was debited from their bank accounts.

Note: during the transactions described in this case, VirtualWorks was acting in conjunction with Swish Marketing.

Outcome:

8/19/09:

Settlement with FTC. Settlement bars Defendant from future violations and includes a \$52,000 fine. The fine is in lieu of a suspended judgment for \$5,450,367. The agreement also includes provisions for monitoring by defendantss of their marketing affiliates or other third parties, compliance monitoring and reporting, and a record keeping provision.

Case Name: Federal Trade Commission v. Group One Networks, Inc.

Date: 3/3/09

Lender URL:
TheUSAWork.com
TheUSWorkers.com
USGoldLine.com
GaineswayCredit.com

Myonlinecr.com
MyonlinecreditStore.com
NewECredit.com

Lender Address:

2300 Tall Pines Drive # 126.
Largo. FL 33771

Type of Action/Laws Violated:

FTC Act Section 5
Telemarketing Sales Rule

Transaction:

Defendant telemarketers targeted consumers with poor or no credit for sales of advance fee credit cards via phone and the internet. Fees to obtain the card were \$200-250. Consumers were told that the card could be used just like a regular major credit card and that they would also receive access to cash advance loans. Further, consumers were told that they would receive their card fees back in the form of \$50 credit vouchers, and their card activity would be reported to credit bureaus.

After consumers gave over their bank account info to purchase the card, they were played indecipherable pre-recorded messages that contradicted the up-front claims made by the defendants. In reality the card was a merchant finance account that could be used only at "approved vendors", the initial card fee was non-refundable, there were no cash advances, and there were other fees that the defendants would charge.

Defendants also failed to disclose a \$29.95 monitoring fee due at 3 and 6 months, monthly or weekly credit monitoring fees, and the fact that 20-80% down payments were required to make purchases with the cards. Also, vouchers could not be combined or used to pay card fees, defendants reserved the right not to report credit history to the bureaus.

The amended complaint included details about defendants pitching an interest rate reduction program wherein they would negotiate with creditors and guarantee savings of \$1,500-30,000 within 30 days. Costs for enrolling in the program were \$595-895. Consumers were told that they would receive full refunds if the program did not deliver. In reality, these claims were false.

The main connection this case has with IPDLs is that in some instances, the defendants received information from IPDLs and used it to make unauthorized \$149 debits to consumers bank accounts.

Outcome:

3/26/10

Settlement Order

- Permanently banned from telemarketing
- \$200K fine

- \$17.2 million suspended judgment (due to inability to pay)
-

Case Name: Federal Trade Commission and the State of Nevada v. Cash Today, Ltd.

FTC File No. 072 3093

<http://www.ftc.gov/os/caselist/0723093/index.shtm>

Date: 11/12/08; 2/23/09; 9/21/09

Lender URL:

www.cash2day4u.com

Lender Address:

Cash Today, Ltd
Northway House,
1379 High Road,
Whetstone, London N20 9LP

The Heathmill Village, Ltd.
Northway House,
1379 High Road,
Whetstone, London N20 9LP

Leads Global, Inc.,
2050 Russett Way,
Carson City, NV, 89703

Waterfront Investments, Inc
2533 Carson Street,
Carson City, NV, 89706

ACH Cash, Inc., HBS Services, Inc.,
and Rovinge International, Inc.
2533 Carson Street, Carson City, NV, 89706, and 1005 Terminal Way,
Suite 110, Reno, Nevada, 89502

Lotus Leads, Inc., and First4Leads, Inc.,
3500 South Dupont Highway, Dover, DE, 19901

Type of Action/Laws Violated:

FTC Act
Unfair and deceptive collection tactics:

- falsely threatening consumers with arrest or imprisonment,
- falsely claiming that consumers are legally obligated to pay the debts;
- making false threats to take legal action that they cannot take;
- and repeatedly calling consumers at work and
- using abusive and profane language and
- disclosing consumers' purported debts to coworkers, employers, and other third parties.

Truth in Lending Act and Regulation Z

- failing to make required written disclosures, clearly and conspicuously, before consummating a consumer credit transaction, including the
 - amount financed, itemization of the amount financed,
 - the finance charge,
 - the APR,
 - the payment schedule,
 - total number of payments,
 - late payment fees.

Nevada's Deceptive Trade Act

- not disclosing loan terms
- making false representations in collecting debts
- selling loans to consumers without licenses.

Transaction:

Loans had to be repaid by the next payday with a \$35 - \$80 fee, or the loans would be extended automatically for an extra fee debited from consumers' bank accounts until the loans were repaid.

Some consumers were told that they were required to call defendants a day or so before their payday to request that proposed defendants debit the full loan amount from their bank accounts.

Consumers who asked for written disclosure of the loan terms were told that the transaction was verbal only and was being recorded. Some consumers were told that written disclosures and loan terms would be sent, but they were never received.

When consumers challenged abusive collection practices as illegal, they were told they do not have to comply with US laws because the lender is located in the UK.

Outcome:

2/23/09

Defendants Leads Global, Inc., Waterfront Investments, Inc., ACH Cash, Inc., HBS Services, Inc., Lotus Leads, Inc., First4Leads, Inc., and Roving International, Inc agreed to order to halt violations. Order also has provision to keep accurate and complete business records and report information to Plaintiffs.

Defendant Jim Harris agreed to a separate order to halt violations. Order also has provision to keep

accurate and complete business records and report information to Plaintiffs.

9/21/09

Settlement Order for Defendants Cash Today, Ltd., and The Heathmill Village, Ltd. (both registered in the United Kingdom); The Harris Holdings, Ltd. (registered in Guernsey, an island between England and France); Leads Global, Inc., Waterfront Investments, Inc., ACH Cash, Inc., HBS Services, Inc., Rovinge International, Inc.; and Lotus Leads, Inc. and First4Leads, Inc. (both now dissolved); each also doing business as Cash Today, Route 66 Funding, Global Financial Services International, Ltd., Interim Cash, Ltd., and Big-Int, Ltd. & settling individual defendants Aaron Gershfield and Ivor Gershfield.

\$970,125 fine to be paid to the FTC

\$29,875 fine to be paid to the State of Nevada

Order prohibits future violations of FTC rules and state law. Also includes a provision for employee monitoring of Defendants' actions, FTC compliance monitoring and reporting, and record keeping. Also, Defendants are to relinquish control of funds paid to the fullest extent permitted by law.

Misc: Non-U.S. Defendants did not contest jurisdiction for the purpose of this case, but may have left open the possibility of jurisdiction arguments in future actions.

Defendant Jim Harris dismissed from case due to separate voluntary agreement with the FTC.

Case Name: In the Matter of We Give Loans, Inc.

FTC File No. 072 3205

<http://www.ftc.gov/os/caselist/0723205/index.shtm>

Date: 6/24/08; 9/5/08

Lender URL:

<http://www.wegiveloans.com>

<http://www.1200Today.com>

Lender Address:

2300 Lincoln Avenue, Apt 201

Cloquet, MN 55720

Type of Action/Laws Violated:

Truth in Lending Act

Regulation Z

Respondent stated loan costs on their website but failed to disclose the APR.

Transaction: n/a

Outcome:

6/24/08

The Respondent agreed to settle with the FTC.

9/5/08

A Final Consent Order was issued.

Case Name: In the Matter of Aliyah Associates, LLC, doing business as American Advance

FTC File No. 072 3206

<http://www.ftc.gov/os/caselist/0723206/index.shtm>

Date: 6/24/08; 9/5/08

Lender URL:

<http://www.americanadvance.com>

Lender Address:

525 E. Camelback, Suite 210,
Scottsdale, AZ 85251

Type of Action/Laws Violated:

Truth in Lending Act
Regulation Z

Failure to disclose APR.

Transaction: n/a

Outcome:

6/24/08

Settled with FTC

9/5/08

Final Consent Order issued.

Case Name: In the Matter of Anderson Payday Loans

FTC File No. 072-3212

<http://www.ftc.gov/os/caselist/0723212/index.shtm>

Date: 2/27/08

Lender URL:

www.anderson-payday-loans.com

Lender Address:

8971 Hewitt Place, Suite 1,
Garden Grove, CA 92844

Type of Action/Laws Violated:

Regulation Z
TILA

Transaction:

Lender's website said: "Payday loans are \$20 to \$30 per hundred dollars borrowed until your payday, depending on individual circumstances and locale." On a \$100 loan with a \$20 fee repayable in a typical pay period of 14 days, the APR would be 521%. On a \$100 loan with a \$30 fee repayable in a typical pay period of 14 days, the APR would be 782%.

Outcome:

2/27/08

Lender entered into consent order with FTC barring further violations

6/6/08

Final consent order issued.

Case Name: In the Matter of American Cash Market, Inc.

FTC File No. 072-3210

<http://www.ftc.gov/os/caselist/0723210/index.shtm>

Date: 2/27/08

Lender URL:

www.americancashmarket.com

Lender Address:

2207 S. Sepulveda Blvd.,
Los Angeles, CA 90064

Type of Action/Laws Violated:

Regulation Z
TILA

Transaction:

Failed to disclose APR.

Lender advertised payday loans between \$50 and \$255. Fees for a \$50 loan is \$8.82, the fee for a \$100 loan is \$17.65, the fee for a \$150 loan is \$26.47, the fee for a \$200 loan is \$35.29, and the fee for a \$255 loan is \$45. Loans repaid in a typical pay period of 14 days, the APR would be 460%.

Outcome:

2/27/08

Lender entered into consent order with FTC barring further violations

6/6/08

Final consent order issued.

Case Name: In the Matter of CashPro d/b/a/ MakePaydayToday.com

Date: 2/27/08; 6/6/08

Lender URL:

www.MakePaydayToday.com

Lender Address:

4306 S. Carson St.,
Carson City, NV 89701

Type of Action/Laws Violated:

TILA

Regulation Z

Transaction:

Lender made payday loans without disclosing the APR. Ads stated that the max number of days for a loan was 14 days, but extensions could be done for up to 60 days. On a \$100 loan with a \$19.95 fee repayable in 14 days, the APR would be 520%.

Outcome:

2/27/08

Lender entered into consent order with FTC barring further violations

6/6/08

Final consent order issued.