



# CFPB Enters Into Settlement With Payday Retail Lender

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# CFPB Enters Into Settlement With Payday Retail Lender

Written by **Barbara S. Mishkin** on February 7, 2019

The CFPB announced that it has entered into a settlement with the owners of payday loan retail outlets that operated under the name "Cash Tyme" in seven states to resolve alleged violations of the Consumer Financial Protection Act, the Gramm-Leach-Bliley Act/ Regulation P, and the Truth in Lending Act/ Regulation Z. The consent order requires Cash Tyme to pay a civil money penalty of \$100,000.

The CFPB found that Cash Tyme had engaged in unfair acts or practices in violation of the CFPA by conduct that included:

- Having inadequate processes to prevent ACH debits of accounts of customers who no longer owed the amounts debited or to accurately and promptly identify and refund overpayments, with such conduct having likely resulted in NSF or overdraft fees to customers whose accounts were wrongfully debited
- Routinely making calls to third parties to collect debts, including to a customer's employer, supervisor, and

personal references (with some of such calls placed despite Cash Tyme having received do-not-call requests)

The CFPB found that Cash Tyme had engaged in deceptive acts or practices in violation of the CFPA by conduct that included:

- Using information about third-party references provided on loan applications for marketing purposes where the “net impression of the loan applications” was that such information would only be used for verification purposes in connection with the loan being applied for
- Advertising unavailable services, including check cashing, phone reconnections, and home telephone connections, on the storefronts’ outdoor signage

The CFPB’s conclusion that Cash Tyme violated GLBA/Reg P was based on its finding that Cash Tyme had failed to provide initial privacy notices to consumers who had paid off a loan in full and subsequently took out a new loan. According to the CFPB, such consumers, when taking out the new loan, were establishing a new customer relationship with Cash Tyme that required a new initial privacy notice.

The Bureau’s conclusion that Cash Tyme violated TILA/Reg Z was based on its findings that Cash Tyme had failed to include a payday loan database fee charged to Kentucky customers in the APR it disclosed in loan contracts and advertisements, rounded APRs to whole numbers in advertisements, and disclosed an

example APR and payment amount that was based on an example term of repayment without disclosing the corresponding repayment terms used to calculate that APR.

In addition to payment of the \$100,000 civil money penalty, the consent order requires Cash Tyme to conduct an audit to identify any consumers who were overcharged or overpaid as a result of improper ACH debits and, as of the date the consent order is issued, had not received a refund from Cash Tyme in amount equal to or greater than the amount of the overcharge or overpayment.

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