CONSUMER PROTECTION DIVISION, OFFICE OF THE ATTORNEY GENERAL

200 St. Paul Place, 16th Floor Baltimore, Maryland 21202,

Proponent,

v.

CASH-N-GO, INC. f/k/a CASH & GO, INC., a/k/a CASH-N-GO PAWNBROKERS, INC., a/k/a CASH-N-GO PAWNBROKERS LLC, a/k/a CASH-N-GO

c/o President 14415 National Highway Levale, Maryland 21502,

c/o Randy A. Rachor, Resident Agent 1110 Professional Court, Ste. 300 Hagerstown, Maryland 21740;

CASH-N-GO PAWNBROKERS LLC a/k/a CASH-N-GO PAWNBROKERS, INC., a/k/a CASH-N-GO, INC., a/k/a CASH-N-GO

c/o Managing Member 1748 Dual Highway Hagerstown, Maryland 21740,

c/o Randy A. Rachor, Resident Agent 1110 Professional Court, Ste. 300 Hagerstown, Maryland 21740;

CASH-N-GO PAWNBROKERS, INC., An unincorporated business owned and operated by Brent M. Jackson

c/o Brent M. Jackson, Owner 43 Elwood Street Martinsburg, West Virginia 25404,

BRENT M. JACKSON Individually, and d/b/a CASH-N-GO, INC., d/b/a CASH-N-GO PAWNBROKERS LLC, IN THE CONSUMER

PROTECTION DIVISION,

OFFICE OF

THE ATTORNEY GENERAL

OF MARYLAND

CPD Case No. 19-003-308458

Office of the Attorney General Consumer Protection Division

APR - 1 2019

ADMINISTRATIVE HEARING PROCESS

d/b/a CASH-N-GO PAWNBROKERS, INC., d/b/a CASH-N-GO

43 Elwood Street
Martinsburg, West Virginia 25404,
Owner, Cash-N-Go
1110 Professional Court, Ste. 300
Hagerstown, Maryland 21740,
Owner, Cash-N-Go
14415 National Highway
Levale, Maryland 21502,

Respondents.

STATEMENT OF CHARGES

1. The Consumer Protection Division of the Office of the Attorney General of Maryland (the "Proponent") institutes this proceeding to enjoin Cash-N-Go, Inc. f/k/a Cash & Go, Inc., a/k/a Cash-N-Go Pawnbrokers, Inc., a/k/a Cash-N-Go Pawnbrokers LLC, a/k/a Cash-N-Go Pawnbrokers LLC, a/k/a Cash-N-Go; Cash-N-Go Pawnbrokers, Inc., a/k/a Cash-N-Go, Inc., a/k/a Cash-N-Go; Cash-N-Go Pawnbrokers, Inc., an unincorporated business owned and operated by Brent M. Jackson; and Brent M. Jackson, individually, and d/b/a Cash-N-Go, Inc., d/b/a Cash-N-Go Pawnbrokers LLC, d/b/a Cash-N-Go Pawnbrokers, Inc., d/b/a Cash-N-Go, (collectively, the "Respondents") from engaging in unfair or deceptive trade practices in the course of offering or providing extensions of credit to Maryland consumers, to obtain relief for Maryland consumers victimized by Respondents' unfair or deceptive trade practices, and to obtain such other relief as may be appropriate.¹

¹ For purposes of this Statement of Charges, "consumer" shall mean an actual or prospective purchaser, lessee, or recipient of consumer goods, consumer services, consumer realty, or consumer credit, as defined in Md. Code

- 2. Respondents have violated Maryland law in connection with offering and providing loans to consumers in Maryland, including by charging consumers usurious rates of interest and other prohibited fees, by extending credit to consumers without being duly licensed to engage in consumer lending activities in the State of Maryland, by taking prohibited security interests in personal property, and by engaging in various other activities that constitute unfair or deceptive trade practices and are prohibited under Maryland law, as described herein.
- 3. Respondents offered and provided loans to consumers at various locations throughout Maryland, operating as a common enterprise in which they offered high-interest, short-term loans secured by an interest in each consumer's motor vehicle (hereinafter referred to as "title loans"). All of Respondents' title loans were in amounts of \$6,000 of less, and generally had an effective annual rate of simple interest of 360%. In an attempt to evade Maryland consumer protection laws applicable to consumer lending, Respondents mischaracterized their transactions as a "pawn transaction" or "pawn loan," when in reality their transactions were simply disguised consumer loans.

THE PARTIES

4. The Proponent in this proceeding is the Consumer Protection Division of the Office of the Attorney General of Maryland. This proceeding is brought by the Proponent to redress past and present violations and to prevent future violations by the Respondents of the Maryland Consumer Protection Act (the "CPA"), Md. Code Ann., Com. Law §§ 13-101

Ann., Com. Law § 13-101, who was located in Maryland at the time: (i) he or she received any actual or prospective agreement, loan application, advertisement, or communication; (ii) he or she applied for a loan; or (iii) when another event occurred triggering the Maryland laws cited herein, regardless of the consumer's state of residence. As such, the terms "consumers," "Maryland consumers," and "consumers in Maryland" are synonymous, and are used interchangeably.

through 13-501 (LexisNexis 2013 and Supp. 2018), in connection with Respondents offering and making title loans to consumers in Maryland in violation of the Maryland Consumer Loan Law ("MCLL"), consisting of Md. Code Ann., Com. Law §§ 12-301 through 12-317 (LexisNexis 2013 and Supp. 2018) and Md. Code Ann., Fin. Inst. §§ 11-201 through 11-223 (LexisNexis 2011 and Supp. 2018), the Maryland Interest and Usury Law ("I&U"), Md. Code Ann., Com. Law §§ 12-101 through 12-127 (LexisNexis 2013 and Supp. 2018), and the Installment Loans–Licensing Provisions ("ILLP"), Md. Code Ann., Fin. Inst. §§ 11-301 through 11-304 (LexisNexis 2011 and Supp. 2018).

- 5. Respondent Cash-N-Go, Inc. is a Maryland company that was incorporated in January 1998 as Cash & Go, Inc. Cash & Go, Inc. changed its name to Cash-N-Go, Inc. in May 2010. Cash-N-Go, Inc.'s principal business office is 14415 National Highway, Levale, Maryland 21502. Cash-N-Go, Inc. has also conducted business at various other locations throughout the State, including at brick and mortar stores in Capital Heights, Frederick, Hagerstown, Hancock, Hyattsville, Laurel, Oakland, Pasadena, Rockville, Waldorf, and Westminster, Maryland, among others. Cash-N-Go, Inc. is also known as, and has conducted business as, Cash-N-Go Pawnbrokers, Inc., Cash-N-Go Pawnbrokers LLC, and Cash-N-Go. Respondent Brent M. Jackson is the sole owner, manager, and president of Cash-N-Go, Inc.
- 6. Respondent Cash-N-Go Pawnbrokers LLC is a Maryland limited liability company that was organized under Maryland law in May 2014. Cash-N-Go Pawnbrokers

² Maryland's lending laws and the CPA were substantially changed by 2018 Laws of Maryland, chapter 732 (effective, in part, October 1, 2018, and in part, January 1, 2019); see also chapter 790 (effective January 1, 2019) (also substantially changing Maryland's lending laws in conjunction with ch. 732). For purposes of this Statement of Charges, all references to the MCLL and the CPA are to the versions of those statutes in effect prior to October 1, 2018.

LLC's principal business location is 1748 Dual Highway, Hagerstown, Maryland 21740. Cash-N-Go Pawnbrokers LLC has also conducted business at various other locations throughout the State. Cash-N-Go Pawnbrokers LLC is also known as, and has conducted business as, Cash-N-Go, Inc., Cash-N-Go Pawnbrokers, Inc., and Cash-N-Go. Respondent Brent M. Jackson is the sole owner (member), manager, and president of Cash-N-Go Pawnbrokers LLC.

- 7. Respondent Cash-N-Go Pawnbrokers, Inc. is an unincorporated business that has been held out to the public in Maryland as a corporation. Cash-N-Go Pawnbrokers, Inc. is also known as Cash-N-Go, Inc., Cash-N-Go Pawnbrokers LLC, and Cash-N-Go. Respondent Brent M. Jackson is the sole owner, operator, and director of Cash-N-Go Pawnbrokers, Inc. Respondents Cash-N-Go, Inc., Cash-N-Go Pawnbrokers LLC, and Brent M. Jackson have done business in Maryland under the name Cash-N-Go Pawnbrokers, Inc.
- 8. Respondents Cash-N-Go, Inc., Cash-N-Go Pawnbrokers LLC, and Cash-N-Go Pawnbrokers, Inc. (collectively, the "Business Respondents") operate as a common business enterprise, and are each individually and collectively referred to as "Cash-N-Go" by their owners, managers, and employees when communicating with consumers. The Business Respondents offer and extend credit to consumers in Maryland in the form of title loans, and are thus engaged in business activities in the State. However, none of the Business Respondents is properly licensed to offer or provide extensions of credit to consumers in Maryland. Further, the Business Respondents have engaged in the business activities alleged herein with common management, employees, business functions, office locations, phone numbers, bank accounts, and websites. Moreover, the Business Respondents are operated without regard for proper business formalities, and their names are used interchangeably, depending on what is the most

advantageous or convenient for the Respondents at the time, or are generically referred to as "Cash-N-Go." Finally, each of the Respondents is an alter ego of Respondent Brent M. Jackson. As such, each of the Business Respondents is jointly and severally liable for the acts and practices described herein.

- 9. Respondent Brent M. Jackson ("Jackson") is the owner, director, officer, manager, member, principal, and/or agent for each and all of the Business Respondents. Jackson has conducted business in Maryland in the name of, or on behalf of, each and all of the Business Respondents, including but not limited to from the following addresses: 14415 National Highway, Levale, Maryland 21502; 1748 Dual Highway, Hagerstown, Maryland 21740; and 43 Elwood Street, Martinsburg, West Virginia 25404. Respondent Jackson has also operated the Business Respondents at locations in Capital Heights, Frederick, Hancock, Hyattsville, Laurel, Oakland, Pasadena, Rockville, Waldorf, and Westminster, Maryland, among others.
- 10. Respondent Jackson operates multiple other businesses, mostly in West Virginia. These include a used car dealership called Just Trucks, which is located at 43 Elwood Street, Martinsburg, West Virginia 25404. Respondent Jackson uses this location as the headquarters for his various businesses and as his personal mailing address. All of the administrative functions for the Business Respondents take place at this location in Martinsburg.
- 11. At all times relevant to the allegations set forth herein, Respondent Jackson has directed, overseen, and managed the business activities of each and all of the Business Respondents. Further, Jackson has had knowledge of and the authority to control, and/or has

directly participated in, the business activities of each and all of the Business Respondents. As such, Jackson is jointly and severally liable with each and all of the Business Respondents for the acts and practices described herein.

12. At all times pertinent hereto, Respondent Jackson possessed and exercised the authority to control the policies and trade practices of the Business Respondents. Respondent Jackson was responsible for creating and implementing the unfair or deceptive policies and practices of the Business Respondents that are described herein. Respondent Jackson committed the unfair and deceptive trade practices that are described herein. Respondent Jackson directed and supervised those employees of the Business Respondents who committed the unfair and deceptive trade practices that are described herein. Respondent Jackson knew or should have known of the unfair and deceptive trade practices that are described herein and had the power to stop them, but rather than stop them, promoted their use.

STATEMENT OF FACTS

- 13. "Vehicle title loans" (or "title loans") are a type of high cost, small dollar loan product in which a lender takes a security interest in a consumer's motor vehicle and retains the vehicle title, while the borrower retains physical possession of the vehicle maintaining use and control of the vehicle while repaying the loan. If the loan is repaid, the title is returned to the borrower. In the event of default, under the terms of such agreements, the lender can repossess the vehicle, holding it until the loan is repaid, or sell the vehicle and retain the proceeds of the sale
- 14. Unless otherwise exempt, persons offering or extending consumer credit to consumers in Maryland in the form of title loans are subject to various State lending, credit, and

consumer protection laws, including the MCLL, I&U, ILLP, and CPA. This includes all such transactions where a consumer applies for a title loan in Maryland, regardless of the consumer's state of residence, as well as all other transactions where the title loan application originates in Maryland. This also applies regardless of how the contract or loan agreement is titled or characterized, and thus includes, for example, any "pawn ticket," "pawn contract," or "title agreement" pursuant to which a consumer retains their vehicle while making payments under the terms of the contract – even if the borrower is required to deposit their vehicle title and possibly a partially completed bill of sale with the lender.

- 15. Respondents marketed, offered, made available, sold, and otherwise provided title loans to consumers in Maryland that Respondents referred to, at various times, as "title loans," "vehicle title pawns," "title pawns," or "pawn transactions." In all of these transactions, Respondents lent consumers money with the expectation of repayment of the principal amount of the loan plus interest (sometimes called a "pawn fee"), and were made for personal, family, or household purposes. As such, Respondents' title loans constituted "consumer loans" and "extensions of consumer credit" within the meaning of the MCLL, I&U, ILLP, and CPA.
- 16. Respondents marketed their title loans on their website, http://www.cashngocash.com/services.html, as well as through radio and newspaper advertisements. Among other things, Respondents described these products as follows: "Need fast cash and be able to keep your car? No worries! Our services allow you to continue to use your vehicle while we hold the title a winning deal for our customers." Respondents also

³ Respondents' current website is at http://cashngo.businesscatalyst.com/services.html.

used neon signs and other such advertising at their physical store locations to promote their vehicle title loans.

- 17. Each of Respondents' title loans was secured by an interest in the consumer's motor vehicle, whereby in order to obtain a loan the consumer was required to provide the Respondents with a free and clear title to his or her vehicle, a signed, blank bill of sale, proof of income and other documents demonstrating the consumer's ability to repay the loan, third party references, and a spare key. Respondents would then file a lien on the vehicle with the Maryland Motor Vehicle Administration or analogous agency in the state where the vehicle was titled (collectively, "MVA"). The consumer retained use and possession of his or her vehicle while repaying the loan.
- 18. Consumers applied for and obtained title loans at any one of the Respondents' multiple store locations in Maryland. Most stores had only a single employee (usually referred to as the "manager"). Once the consumer's paperwork was complete, an employee would start the consumer's vehicle to make sure that it ran, and might conduct a cursory appraisal.
- 19. The amount that Respondents were willing to lend to each consumer depended on the value of the consumer's vehicle, on the consumer's ability to repay the loan, and sometimes on a preset maximum title loan amount that Respondents were willing to lend to anyone at a given time or at a specific location.
- 20. Respondents charged a monthly rate of interest of 30% on each of their title loans to Maryland consumers, which equated to an annual interest rate of 360%.
- 21. Consumers went to the Respondents' business locations in Maryland in order to obtain a title loan, and they believed that they were obtaining a loan from the Respondents

secured by an interest in their motor vehicles. However, consumers did not understand the material terms of their agreements, such as the total number of payments they were required to make under the agreement or how the monthly payments would be applied under the agreement. The Respondents failed to explain these terms to consumers at the time Respondents made the title loans, and the documents that Respondents provided to consumers failed to provide all applicable material terms. Further Respondents' written documents usually referred to the transaction as a "title pawn," thereby exacerbating the consumer's misunderstanding about the terms of their loan agreement.

- 22. Respondents required consumers to repay their title loans by making in-person cash payments at the same store where the consumer obtained the loan.
- 23. Respondents' practices led consumers to believe that they could repay their title loans by making monthly installment payments. However, in reality, Respondents' loans were 30 day loans, which they would extend by 30 days if the consumer made an interest-only payment on the loan.
- 24. To the extent that Respondents provided consumers with receipts for such payments, the receipts were not itemized as to how the payment was being applied to the loan. As such, consumers were unaware that each payment was only going toward interest, and that none of it was applied to the principal balance of the loan. Many consumers made payments for multiple months or even years on their loans without understanding how they could fully repay their title loans.
- 25. Further, whenever consumers made what were in effect monthly, interest-only payments, Respondents required consumers to pay the full monthly charge, regardless of the

day of the month when such payment was made. Further, if a consumer wanted to pay ahead, any excess payment was applied toward the next month's interest payment, rather than being applied to lower the principal balance of the loan. And if a consumer wanted to pay off their title loan in full, they were required to pay the principal amount of the loan plus one full month's worth of interest (in addition to any other monthly payments past due), regardless of the day of the month when such payment was made.

- 26. If consumers failed to make a scheduled payment on their title loans, and did not make a payment within a certain period of time (typically a two-week grace period), Respondents would directly repossess, or indirectly repossess through an agent, the secured vehicles using the spare keys provided by the consumers at the time the consumers obtained the loans. Respondents directly or indirectly repossessed numerous vehicles from consumers, most of which were taken to a lot adjacent to Respondents' office in Martinsburg, West Virginia the location of Respondent Jackson's used car dealership, Just Trucks.
- 27. Respondents did not send any written notices to consumers either prior to or after repossession, and they did not provide any written notices to consumers prior to the sales of the motor vehicles.
- 28. If a consumer wished to redeem the vehicle following repossession, the consumer would have to pay the entire outstanding balance on the loan, as well as vehicle repossession and storage fees, and the consumer would normally have to travel to the Respondents' office in Martinsburg, West Virginia to retrieve their vehicle.
- 29. Further, Respondents sold some of the repossessed vehicles and retained the proceeds, even though they never mailed consumers advance notices of sale, and they retitled

some of the vehicles in their own names or in the names of companies owned and operated by Respondent Jackson.

- 30. Respondents made over 1,700 title loans to consumers in Maryland from 2007 through 2016, inclusive. The amount of each secured loan varied from several hundred dollars up to a maximum of \$6,000, including hundreds of loans in amounts less than \$700. Respondents collected a total of over \$2.2 million from consumers in repayment of these loans. Respondents also earned tens of thousands of dollars from the sales of repossessed vehicles that had not been redeemed by consumers.
- 31. Respondents' title loans, even when characterized as "title pawns," were not true pawn transactions, because the Respondents did not take possession of the actual vehicles, but rather only retained the titles in order to file a lien on the vehicles with the MVA. Instead, these transactions were simply secured consumer loans subject to Maryland's lending and consumer protection laws, including the MCLL, I&U, ILLP, and the CPA.
- 32. With certain exceptions not relevant to the present matter, the MCLL applies to "any loan or advance of money or credit" of \$6,000 or less made primarily for personal, family, or household purposes. *See* Md. Code Ann., Fin. Inst. § 11-201(e), Com. Law §§ 12-301(e), 12-303, 13-101(d)(1). Respondents' title loans to Maryland consumers were "loans" within the meaning of Com. Law § 12-301(e) of the MCLL, and thus Respondents and their title loans were subject to regulation under the MCLL, including but not limited to the MCLL's licensing requirements, interest rate caps, and disclosure requirements.

- 33. However, Respondents violated multiple provisions of the MCLL in the context of offering and making title loans to Maryland consumers, including but not limited to the following:
- a. Respondents engaged in unlicensed lending activities by offering and making title loans to Maryland consumers without first becoming licensed by the Maryland Commissioner of Financial Regulation (the "Commissioner") as a consumer lender under the MCLL, in violation of Md. Code Ann., Fin. Inst. § 11-203.1(a)(1) and Com. Law § 12-302.
- b. Respondents engaged in usurious lending by charging annual rates of interest of 360% on their title loans, which far exceeded the maximum annual effective rate of simple interest permitted under the MCLL of either 33% or 24%, depending on both the original principal balance of the loan and the remaining, unpaid principal balance, in violation of Com. Law §§ 12-306(a)(6) and 12-314(a).
- c. Respondents offered or made title loans to Maryland consumers without first obtaining a surety bond for the benefit of the State and Maryland consumers required under the MCLL, in violation of Fin. Inst. § 11-206(c).
- d. Respondents failed to comply with their obligations to Maryland consumers required under Com. Law § 12-308 of the MCLL, including but not limited to the following:
- (i) At the time that Respondents made their loans to consumers, Respondents failed to provide consumers with a written statement that quoted 4 specified sections of the MCLL in their entirety, in violation of Com. Law § 12-308(a)(i).
 - (ii) Respondents violated Com. Law § 12-308(a)(ii) of the MCLL by

failing comply with Com. Law § 12-106(b), since Respondents did not provide consumers with a written statement containing all of the specific disclosures about the terms of the loans set forth in § 12-106(b), and since Respondents did not provide the disclosures required under § 12-106(b) to consumers *prior to* execution of the loan contracts.

- (iii) Respondents failed to provide consumers with an itemized receipt for each payment made by consumers on their title loans, in violation of § 12-308(b) of the MCLL.
- (iv) Respondents' business practices precluded consumers from being able to prepay their title loans, in full or in part, without penalty, and Respondents failed to apply each partial prepayment first, to any interest accrued on the unpaid principal balance to the date of the payment, and then, to the unpaid principal balance, thereby violating Com. Law § 12-308(c) of the MCLL.
- (v) After consumers had fully repaid their loans, Respondents failed to provide those consumers with their agreements marked as paid or with a written statement indicating that the loan had been paid in full, in violation of Com. Law § 12-308(d)(1).
- (vi) If a consumer requested a written statement of his or her title loan account, the Respondents would not provide a current statement of the account, in violation of Com. Law § 12-308(e).
- e. Respondents violated Com. Law § 12-311(c)(1)(ii) of the MCLL as to each of the hundreds of title loans that Respondents made to consumers under \$700 in value or amount, since they took a prohibited security interest in personal property (i.e., by taking a lien

in the motor vehicle). Further, pursuant to Com. Law § 12-311(c)(2), each of the liens that Respondents took in violation of Com. Law § 12-311(c)(1)(ii) is void.

- f. Respondents charged consumers "pawn fees" that were prohibited under the MCLL, and thus violated Com. Law §§ 12-313(a)(1) and 12-314(a) of the MCLL as to each title loan that they made to Maryland consumers.
- g. In every instance where Respondents directly or indirectly repossessed a vehicle securing a title loan from a Maryland consumer, Respondents violated Com. Law § 12-306(a)(7)(iii) of the MCLL, which requires that, "[u]pon the borrower's default, if the loan is secured by personal property, [that] the lender complies with § 12-115 of this title concerning repossession and redemption of the goods securing the loan." Respondents failed to comply with one or more of the following provisions of Com. Law § 12-115 as to each repossession:
- (i) Since Respondents' title loans far exceeded the maximum interest rates permitted under Com. Law § 12-306 of the MCLL, pursuant to Com. Law § 12-115(a), the Respondents were prohibited from repossessing any goods securing loans subject to the MCLL, and thus Respondents violated Com. Law § 12-115(a), and by reference Com. Law § 12-306(a)(7)(iii), in every instance where they directly or indirectly repossessed a vehicle securing a title loan.
- (ii) In every instance where a consumer redeemed or attempted to redeem and take possession of their motor vehicle following repossession by the Respondents, the Respondents violated Com. Law § 12-115(h), and by reference Com. Law § 12-306(a)(7)(iii), since the Respondents charged consumers repossession and storage fees, even though such charges were prohibited under Com. Law § 12-115(h) since the Respondents never

served consumers with a discretionary "notice prior to repossession" in accordance with Com. Law § 12-115(c) and (d).

- (iii) With regard to every repossession, Respondents violated Com. Law § 12-115(e), and by reference Com. Law § 12-306(a)(7)(iii), since Respondents failed to serve consumers with a mandatory "notice after repossession" in accordance with Com. Law § 12-115(e).
- (iv) In every instance where Respondents sold or attempted to sell the repossessed motor vehicle, Respondents violated Com. Law § 12-115(f), and by reference Com. Law § 12-306(a)(7)(iii), since Respondents failed to retain the repossessed property for 15 days following service of the required "notice after repossession," as they were required to do under Com. Law § 12-115(f).⁴
- (v) In every instance where Respondents sold or attempted to sell the repossessed motor vehicle, Respondents violated Com. Law § 12-115(j)(2), and by reference Com. Law § 12-306(a)(7)(iii), since Respondents failed to serve the consumer with the notice of sale required under Com. Law § 12-115(j)(2).
- (vi) With regard to their title loans, Respondents' written agreements with consumers falsely stated that the Respondents could repossess secured vehicles, charge repossession and storage fees, and sell the repossessed vehicles and other personal property upon the consumer's default, even though such conduct was prohibited by the provisions of Com. Law § 12-115 cited above.

⁴ Since Respondents never served consumers with a "notice after repossession" in accordance with Com. Law § 12-115(e), the mandatory 15-day retention period under § 12-115(f) never started to run, and Respondents would have been prohibited from selling the motor vehicles securing their title loans at private sale or public auction under Com. Law § 12-115(j).

- 34. Further, Respondents' usurious title loans were unenforceable pursuant to Com. Law § 12-314(b)(1) of the MCLL. Therefore, pursuant to Com. Law § 12-314(b)(2), since Respondents were not licensed to make consumer loans under the MCLL and were not otherwise exempt, the Respondents were prohibited from receiving or retaining any principal, interest, or other consideration related to those loans.
- 35. With certain exceptions not relevant to the present matter, the I&U, and by reference the ILLP, also apply to title loans made to Maryland consumers. In particular, Respondents' title loans to Maryland consumers fell squarely within the scope of Com. Law § 12-103(a)(3) or (c) of the I&U, and were thus "installment loans" within the meaning of the ILLP. As such, Respondents and their title loans were subject to the licensing requirements, interest rate caps, and disclosure requirements of the I&U and ILLP.
- 36. However, Respondents violated multiple provisions of the I&U and ILLP in the context of offering and making title loans to Maryland consumers, including but not limited to the following:
- a. Respondents engaged in unlicensed lending activities by offering and making title loans to Maryland consumers without first becoming licensed by the Commissioner as an installment lender under the ILLP, in violation of Com. Law § 12-103(c)(4) of the I&U and Fin. Inst. §§ 11-302 and 11-303 of the ILLP.
- b. Respondents engaged in usurious lending by charging annual rates of interest of 360% on their title loans, which far exceeded the 24% maximum annual effective rate of simple interest that lenders are permitted to charge on the unpaid principal balance of

the loan under Com. Law § 12-103(a)(3) and (c) of I&U, thereby violating the interest rate caps set forth in Com. Law § 12-103(a)(3) and (c).

- c. Respondents offered or made title loans to Maryland consumers without first obtaining a surety bond for the benefit of the State and Maryland consumers, which pursuant to Fin. Inst. §§ 11-302, 11-303, and 11-206(c), is required of persons making loans subject to Com. Law § 12-103(a)(3) or (c) of I&U, and thus Respondents violated Fin. Inst. §§ 11-302, 11-303, and 11-206(c).
- d. Respondents violated Com. Law § 12-106(b) of the I&U since they did not provide consumers with a written statement containing all of the specific disclosures about the terms of the loans set forth in § 12-106(b), and since they did not provide the required disclosures to consumers *prior to* execution of the loan contracts.
- e. In each instance where Respondents directly or indirectly repossessed a vehicle securing a title loan from Maryland consumers, Respondents failed to comply with one or more of the following provisions of Com. Law § 12-115:
- (i) Since Respondents' title loans far exceeded the maximum annual interest rate permitted under Com. Law § 12-103(a)(3) or (c) of I&U, pursuant to Com. Law § 12-115(a), the Respondents were prohibited from repossessing any goods securing loans subject to Com. Law § 12-103(a)(3) or (c) of the I&U, and thus Respondents violated Com. Law § 12-115(a) in every instance where they directly or indirectly repossessed a vehicle securing a title loan.
- (ii) In every instance where a consumer redeemed or attempted to redeem and take possession of their motor vehicle following repossession by the Respondents,

the Respondents violated Com. Law § 12-115(h), since the Respondents charged consumers repossession and storage fees, even though such charges were prohibited under Com. Law § 12-115(h) since the Respondents never served consumers with a discretionary "notice prior to repossession" in accordance with Com. Law § 12-115(c) and (d).

- (iii) With regard to every repossession, Respondents violated Com. Law § 12-115(e) since Respondents failed to serve consumers with a mandatory "notice after repossession" in accordance with Com. Law § 12-115(e).
- (iv) In every instance where Respondents sold or attempted to sell the repossessed motor vehicle, Respondents violated Com. Law § 12-115(f), since Respondents failed to retain the repossessed property for 15 days following service of the required "notice after repossession," as they were required to do under Com. Law § 12-115(f).⁵
- (v) In every instance where Respondents sold or attempted to sell the repossessed motor vehicle, Respondents violated Com. Law § 12-115(j)(2), since Respondents failed to serve consumers with the notice of sale required under Com. Law § 12-115(j)(2).
- (vi) With regard to their title loans, the Respondents' written agreements with consumers falsely stated that the Respondents could repossess secured vehicles, charge repossession and storage fees, and sell the repossessed vehicles and other personal property upon the consumer's default, even though such conduct was prohibited by the provisions of Com. Law § 12-115 cited above.

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⁵ Since Respondents never served consumers with a "notice after repossession" in accordance with Com. Law § 12-115(e), the mandatory 15-day retention period under § 12-115(f) never started to run, and Respondents would have been prohibited from selling the motor vehicles securing their title loans at private sale or public auction under Com. Law § 12-115(j).

- 37. Even if Respondents' title loans were not subject to the MCLL or the I&U, they would still be subject to Article III, Section 57 of the Maryland Constitution, which provides as follows: "[t]he Legal Rate of Interest shall be *Six per cent per annum*; unless otherwise provided by the General Assembly" (emphasis in original). Md. Const. art. 3, § 57. All of Respondents' title loans violated this section of the Maryland Constitution since they contained annual rate of interest that far exceeded the "legal rate of interest" of 6% per annum.
- 38. Title loans and lenders are also subject to the CPA. Respondents' title loans were extensions of credit made primarily for personal, household, or family purposes, and therefore constituted "consumer credit" under Com. Law § 13-101(d)(1) of the CPA. In turn, since Respondents directly or indirectly offered or made available consumer credit to Maryland consumers, such as title loans, the Respondents were "merchants" under Com. Law § 13-101(g) and "persons" under Com. Law § 13-101(h). Further, pursuant to Com. Law § 13-303, since the Respondents extended consumer credit in the form of title loans to consumers in Maryland, they were prohibited from engaging in any unfair or deceptive trade practices under the CPA.
- 39. Respondents' business practices described herein are unfair and deceptive trade practices that violated the CPA.
- 40. Respondents committed multiple such violations of the CPA as to each of the title loans that they made to Maryland consumers.
- 41. Respondent Jackson is jointly and severally liable with the Business Respondents for the violations of Maryland law described herein.

VIOLATIONS OF THE CONSUMER PROTECTION ACT

- 42. The allegations contained in paragraphs 1-41, above, are hereby re-alleged and incorporated here by reference as if fully set forth in this section.
- 43. Respondents' title loans were used primarily for personal, household or family purposes, and thus constituted "consumer credit" under the CPA. *See* Com. Law § 13-101(d)(1). Further, Respondents are "merchants" under the CPA. *See* Com. Law § 13-101(g)(1). Pursuant to Com. Law § 13-303(4), Respondents are prohibited from engaging in any unfair or deceptive trade practices in the context of offering or providing title loans to Maryland consumers.
- 44. The Respondents' practices, as set forth above, constituted unfair or deceptive trade practices in the sale and offer for sale of consumer goods and services in violation of Com. Law § 13-303 of the CPA.
- 45. Respondents made false or misleading oral or written statements or other representations that had the capacity, tendency, or effect of deceiving or misleading Maryland consumers, which were unfair or deceptive trade practices pursuant to Com. Law § 13-301(1) of the CPA, including, but not limited to, by the following:
- a. Respondents misrepresented or made false statements concerning the nature of their lending activities with consumers by stating that their title loans were actually pawn transactions, when in fact the transactions are actually loans that violated numerous consumer protections contained in the MCLL, I&U, and ILLP.
- b. Respondents misrepresented or made false statements concerning the terms of their title loans, thereby confusing or misleading consumers, who ended up repaying more to the Respondents than they would have had they known all of the terms of their loans.

- c. By offering or providing extensions of credit to consumers in Maryland, Respondents were representing that they could legally make such loans, thereby representing explicitly or impliedly that, among other things, they held all required lending licenses, and that they held all required surety bonds for the benefit of consumers. However, Respondents could not, in fact, legally offer or make title loans to consumers in Maryland, since they were not duly licensed as a consumer lender under the MCLL or as an installment lender under the ILLP, and since they did not hold the requisite surety bonds for the benefit of the State and Maryland consumers.
- d. By offering or providing extensions of credit to consumers in Maryland in the form of title loans, Respondents were representing that their loans were legal under Maryland law, including that they charged a legal rate of interest and only charged allowable fees. However, Respondents' title loans were all usurious under Maryland law, containing rates of interest that far exceeded the interest rate caps set forth in the MCLL, the I&U, and the Maryland Constitution, and Respondents charged fees prohibited under the MCLL.
- e. By offering or providing extensions of credit to consumers in Maryland in the form of title loans, Respondents represented that they were permitted to take a security interest in the consumer's motor vehicles. However, Respondents were, in fact, prohibited from taking a security interest in personal property for loans of less than \$700 in value, and thus all such loans were prohibited under Maryland law, and all liens taken on such loans are void.
- f. Respondents misrepresented that, upon the borrower's default in repaying the title loan, the Respondents could repossess the secured motor vehicle from the consumer, charge the consumer storage and repossession fees, and even sell the repossessed

vehicle, when in fact the Respondents were prohibited from repossessing any vehicle or other personal property securing a loan subject to the MCLL or the I&U, since Respondents' title loans were usurious under both the MCLL and I&U.

- 46. Respondents made representations to Maryland consumers that Respondents' goods or services had a sponsorship, approval, or characteristic which they did not have, thereby constituting unfair or deceptive trade practices pursuant to Com. Law § 13-301(2)(i) of the CPA, including, but not limited to, through the following:
- a. By offering or providing title loans to consumers in Maryland, Respondents were representing that they were duly licensed as a consumer lender under the MCLL or as an installment lender under the ILLP, when, in fact, they were not duly licensed as a consumer lender or installment lender.
- b. By offering or providing title loans to consumers in Maryland, Respondents were representing that their loans contained a legal rate of interest and that they only charged allowable fees, when, in fact, Respondents' loans contained rates of interest that far exceeded the interest rate caps set forth in the MCLL, I&U, and Maryland Constitution, and Respondents charged fees of a type or in an amount prohibited under the MCLL.
- 47. Respondents made representations to Maryland consumers that Respondents had a sponsorship, approval, status, affiliation, or connection, which they did not have, thereby constituting unfair or deceptive trade practices pursuant to Com. Law § 13-301(2)(ii) of the CPA. By offering or providing title loans to consumers in Maryland, Respondents were representing that they were duly licensed as a consumer lender under the MCLL and as an

installment lender under the I&U, when, in fact, Respondents were not duly licensed as a consumer lender or installment lender.

- 48. Respondents failed to state material facts, the omission of which deceived or tended to deceive consumers, thereby constituting unfair or deceptive trade practices pursuant to Com. Law § 13-301(3) of the CPA, including but not limited to the following:
- a. Respondents failed to disclose to Maryland consumers that they were not duly licensed to offer or make consumer loans under the MCLL or installment loans under I&U.
- b. Respondents failed to disclose to Maryland Consumers that they did not hold the requisite surety bonds for the benefit of the State and Maryland consumers necessary to be able to offer or provide loans under the MCLL or I&U.
- c. Respondents failed to disclose all of material terms required under the MCLL and I&U necessary for consumers to understand the terms of their loans.
- d. Respondents failed to make other disclosures required under the MCLL and the I&U necessary for consumers to understand the rights and obligations of the parties under their agreements.
- e. Respondents failed to disclose that their loans were usurious, and thus prohibited under the MCLL, I&U, and Maryland Constitution.
- f. Respondents failed to disclose that they charged consumers fees prohibited under the MCLL, or charged fees in amounts prohibited under the MCLL.
- g. Respondents failed to disclose that they were prohibited from taking a security interest in personal property for loans less than \$700 in amount or value. Respondents failed to provide itemized receipts to consumers, thereby failing to disclose that each of the

consumer's payments was being applied exclusively towards interest, and was not being applied towards the principal amount of the loan.

- 49. Respondents' business practices described above are unfair trade practices. They have caused and are likely to cause substantial injury to consumers, which consumers cannot reasonably avoid. Further, the injuries that consumers have suffered as a result of Respondents' unfair business practices are not outweighed by any countervailing benefits to consumers or competition. As such, those unfair practices constituted unfair trade practices in violation of Com. Law § 13-303 of the CPA.
- 50. Respondents are jointly and severally liable for the restitution, damages, penalties, and costs, as ordered by the Division.

WHEREFORE, the Proponent respectfully requests that the Consumer Protection Division issue an Order:

- A. requiring Respondents to cease and desist from engaging in unfair or deceptive trade practices in violation of the Maryland Consumer Protection Act;
- B. requiring Respondents to take affirmative action, including but not limited to providing restitution to all Maryland consumer harmed by the Respondents unfair or deceptive trade practices;
- C. requiring Respondents to pay economic damages incurred by consumers in connection with Respondents' unfair or deceptive trade practices;
- D. requiring Respondents to pay to pay the costs of this proceeding, including all costs of investigation;

- E. requiring the Respondent to pay a suitable civil penalty pursuant to § 13-410 of the Consumer Protection Act; and
- F. granting such other and further relief as is appropriate and necessary.

Respectfully submitted,

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Dated: 4/1/2019

Attorneys for Proponent