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CFPB Takes Action Against Springstone Financial for Deceptive Health-Care Credit Enrollment Tactics

Company to Pay $700,000 to Consumers Deceived About Terms of Deferred-Interest Financing for Dental Work

WASHINGTON, D.C. — The Consumer Financial Protection Bureau (CFPB) has ordered Springstone Financial, LLC to provide $700,000 in relief to victims of deceptive credit enrollment tactics. Many consumers who signed up for Springstone's deferred-interest loan product at dental offices to pay for dental work were led to believe that the product was interest free. In fact, interest accrued from the date of the consumer's purchase and was charged if the balance was not paid in full before the promotional period ended. Approximately 3,200 consumers who signed up for the product ultimately were charged and paid deferred interest.

"Deceiving patients in need of medical care into paying for services with risky credit adds insult to injury," said CFPB Director Richard Corday. "The Bureau will not tolerate financial companies or their providers taking advantage of distressed patients and their loved ones with misleading sales pitches."

Springstone, headquartered in Westborough, Mass., is a wholly-owned subsidiary of San Francisco-based Lending Club Corporation. From January 2009 through December 2014, Springstone administered its health-care financing program, which offered consumers two credit products: an installment loan and a deferred-interest loan product. The deferred-interest product incurred no interest if the balance was paid in full within a certain promotional period. During this timeframe, a network of about 9,000 health-care providers was authorized by Springstone to offer its loan products and assist consumers in enrollment. Receptionists and office staff of these health-care providers could provide consumers with application materials and assist them in filling out the application before submitting it to Springstone on the consumers' behalf. Springstone terminated the deferred-interest product in December 2014.

The Bureau's investigation found that providers who were trained and monitored by Springstone to market the deferred-interest loan product misled consumers about the terms and conditions of the product during the application process. In some cases, dental office staff told consumers that the deferred-interest product was a "no-interest" loan and failed to mention they would have to pay 22.98 percent interest on the loan if they didn't pay it off in full by the end of the promotional period. More than 3,200 consumers may have been affected by these deceptive practices.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Bureau has authority to take action against companies that engage in unfair, deceptive, or abusive practices, or other violations of federal consumer financial law. To ensure that

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harmed consumers are appropriately compensated, and that consumers will no longer be subject to these illegal practices, the CFPB's order requires Springstone to:

- **Refund $700,000 to more than 3,200 consumers:** Springstone must pay $700,000 in consumer relief to about 3,200 consumers as a result of the deceptive marketing and enrollment practices in its dental-services provider network.
- **Conveniently repay consumers:** Springstone will reimburse consumers affected by these practices. Eligible consumers do not have to take any action to get their refund. Springstone will notify affected consumers and issue a credit or send a reimbursement check to those consumers with an open Springstone account. For those consumers with a closed or inactive account, Springstone will mail a reimbursement check.

The full text of the CFPB's consent order is available at:
http://files.consumerfinance.gov/f/201508_cfpb_consent-order-springstone-financial-llc.pdf

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.

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