



Press Release

CFPB Orders LendUp to Pay \$3.63 Million for Failing to Deliver Promised Benefits

Online Lender Did Not Help Consumers Build Credit or Access Cheaper Loans, As It Claimed

SEP 27, 2016

WASHINGTON, D.C. – Today the Consumer Financial Protection Bureau (CFPB) took action against online lender Flurish, Inc., doing business as LendUp, for failing to deliver the promised benefits of its products. The CFPB found that the company did not give consumers the opportunity to build credit and provide access to cheaper loans, as it claimed to consumers it would. The Bureau has ordered the company to provide more than 50,000 consumers with approximately \$1.83 million in refunds. The company will also pay a civil penalty of \$1.8 million.

“LendUp pitched itself as a consumer-friendly, tech-savvy alternative to traditional payday loans, but it did not pay enough attention to the consumer financial laws,” said CFPB Director Richard Cordray. “The CFPB supports innovation in the fintech space, but start-ups are just like established companies in that they must treat consumers fairly and comply with the law.”

Flurish, Inc., doing business as LendUp, is an online lending company based in San Francisco, Calif. that offers single-payment loans and installment loans in 24 states. The company began marketing its loans in 2012 as a way for consumers to build credit and improve credit scores, and it offered consumers who participated in the program the ability to progress to loans with more favorable terms, including lower rates and longer repayment periods, over time. The company advertised this opportunity as the ability to move up the “LendUp Ladder.”

According to today’s enforcement action, LendUp did not deliver on its promises. Some of its product offerings weren’t available to consumers where they were advertised. In addition, for a time, the company did not properly furnish information to the credit reporting companies, denying consumers the promised opportunity to improve their creditworthiness. LendUp’s conduct violated multiple federal consumer financial protection laws, including the Truth in Lending Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act. Specifically, the CFPB found that the company:

- **Misled consumers about graduating to lower-priced loans:** Many of the benefits the company advertised as available to consumers who moved up the LendUp Ladder were not actually available. Despite the fact that LendUp advertised all of its loans nationwide, loans at the higher levels were not available outside of California for most of the company’s existence. Therefore, borrowers outside of California were not eligible to move up the “LendUp Ladder” and obtain lower-priced loans and other benefits.
- **Hid the true cost of credit:** LendUp gave some consumers inaccurate information about the true cost of the loans offered. The company used banner ads on Facebook and other Internet search results that included “slider bars” allowing consumers to view various loan amounts and repayment terms, but it did not disclose the annual percentage rate as required by law.
- **Reversed pricing without consumer knowledge:** With one particular loan product, borrowers had the option to select an earlier repayment date. Borrowers who selected an earlier repayment date received a discount on the origination fee. But if a borrower later extended the repayment date, the company would reverse the discount given at origination. The company did not disclose this and, in three states, the company’s loan agreement specifically stated that it would not charge any fees to extend the

repayment period. In addition, if a borrower defaulted, any discount received at origination was reversed and added to the amount sent to collections.

- **Understated the annual percentage rate:** LendUp offered services that allowed consumers, for a fee, to obtain their loan proceeds more quickly. The company passed along the fee to a third party, but LendUp also retained a portion of the fee from loans made between May 2013 and March 2016. In many instances, these retained fees should have been included in the annual percentage rate calculation; because they were not, the company inaccurately disclosed the finance charges.
- **Failed to report credit information:** Although the company began making loans in 2012 and advertised its loans as credit building opportunities, the company did not furnish any information about any loans to credit reporting companies until at least February 2014. Before April 2015, LendUp also failed to have any written policies and procedures about the accuracy and integrity of information furnished to consumer reporting agencies.

Enforcement Action

Under the Dodd-Frank Act, the CFPB has authority to take action against institutions or individuals engaging in unfair, deceptive, or abusive acts or practices or that otherwise violate federal consumer financial laws. Under the terms of the CFPB order released today, LendUp is required to:

- **Provide approximately \$1.83 million in redress to victims:** The company is ordered to pay about \$1.83 million to over 50,000 consumers. Consumers are not required to take any action. The company will contact consumers in the coming months about their refunds.
- **End deceptive loan practices:** LendUp must stop misrepresenting the benefits of borrowing from the company, including what loan products are available to consumers and whether the loans will be reported to credit reporting companies. The company must also stop misrepresenting what fees are charged, and it must include the correct finance charge and annual percentage rate in its disclosures.
- **End unlawful advertisements:** The company must regularly review all of its marketing material to ensure it is not misleading consumers.
- **Ensure accuracy of pricing:** The company must regularly test annual percentage rate calculations and disclosures to ensure it complies with the Truth in Lending Act.
- **Pay a \$1.8 million civil penalty:** LendUp will pay \$1.8 million to the CFPB's Civil Penalty Fund.

The full text of the CFPB's consent order is available at:

http://files.consumerfinance.gov/f/documents/092016_cfpb_LendUpConsentOrder.pdf

The CFPB investigation was conducted in coordination with the California Department of Business Oversight, which today announced a separate settlement with LendUp:

[http://www.dbo.ca.gov/Press/press_releases/2016/LendUp Settlement Release 09-26-16.pdf](http://www.dbo.ca.gov/Press/press_releases/2016/LendUp%20Settlement%20Release%2009-26-16.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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