



# CFPB Sues Four Online Lenders for Collecting on Debts Consumers Did Not Legally Owe

Bureau Alleges Companies Deceived Consumers About Debt That Was Not Legally Owed

APR 27, 2017

**WASHINGTON, D.C.** – The Consumer Financial Protection Bureau (CFPB) today took action against four online lenders – Golden Valley Lending, Inc., Silver Cloud Financial, Inc., Mountain Summit Financial, Inc., and Majestic Lake Financial, Inc. – for deceiving consumers by collecting debt they were not legally owed. In a suit filed in federal court, the CFPB alleges that the four lenders could not legally collect on these debts because the loans were void under state laws governing interest rate caps or the licensing of lenders. The CFPB alleges that the lenders made deceptive demands and illegally took money from consumer bank accounts for debts that consumers did not legally owe. The CFPB seeks to stop the unlawful practices, recoup relief for harmed consumers, and impose a penalty.

"We are suing four online lenders for collecting on debts that consumers did not legally owe," said CFPB Director Richard Cordray. "We allege that these companies made deceptive demands and illegally took money from people's bank accounts. We are seeking to stop these violations and get relief for consumers."

Golden Valley Lending, Inc., Silver Cloud Financial, Inc., Mountain Summit Financial, Inc., and Majestic Lake Financial, Inc. are online installment loan companies in Upper Lake, California. Since at least 2012, Golden Valley Lending and Silver Cloud Financial have offered online loans of between \$300 and \$1,200 with annual interest rates ranging from 440 percent up to 950 percent. Mountain Summit Financial and Majestic Lake Financial began offering similar loans more recently.

The Bureau's investigation showed that the high-cost loans violated licensing requirements or interest-rate caps – or both – that made the loans void in whole or in part in at least 17 states: Arizona, Arkansas, Colorado, Connecticut, Illinois, Indiana, Kentucky, Massachusetts, Minnesota, Montana, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, and South Dakota. The Bureau alleges that the four lenders are collecting money that consumers do not legally owe. The CFPB's suit alleges that Golden Valley Lending, Silver Cloud Financial, Mountain Summit Financial, and Majestic Lake Financial violated the Truth in Lending Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act. The specific allegations include:

- **Deceiving consumers about loan payments that were not owed:** The lenders pursued consumers for payments even though the loans in question were void in whole or in part under state law and payments could not be collected. The interest rates the lenders charged were high enough to violate usury laws in some states where they did business, and violation of these usury laws renders particular loans void. In addition, the lenders did not obtain licenses to lend or collect in certain states, and the failure to obtain those licenses renders particular loans void. The four lenders created the false impression that they had a legal right to collect payments and that consumers had a legal obligation to pay off the loans.
- **Collecting loan payments which consumers did not owe:** The four lenders made electronic withdrawals from consumers' bank accounts or called or sent letters to consumers demanding payment for debts that consumers were under no legal obligation to pay.
- **Failing to disclose the real cost of credit:** The lenders' websites did not disclose the annual percentage rates that apply to the loans. When contacted by prospective borrowers, the lenders' representatives also did not tell consumers the annual percentage rate that would apply to the loans.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB is authorized to take action against institutions engaged in unfair, deceptive, or abusive acts or practices, or that otherwise violate federal consumer financial laws like the Truth in Lending Act. The CFPB is seeking monetary relief for consumers, civil money penalties, and injunctive relief, including a prohibition on collecting on void loans, against Golden Valley and the other lenders. The Bureau's complaint is not a finding or ruling that the defendant have actually violated the law.

**A copy of the complaint filed in federal district court is available at:**

[http://files.consumerfinance.gov/f/documents/201704\\_cfpb\\_Golden-Valley\\_Silver-Cloud\\_Majestic-Lake\\_complaint.pdf](http://files.consumerfinance.gov/f/documents/201704_cfpb_Golden-Valley_Silver-Cloud_Majestic-Lake_complaint.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](http://consumerfinance.gov).*

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