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**UNLICENSED LENDERS TO REFUND MILLIONS TO CONSUMERS OVER
ILLEGAL ONLINE LENDING SCHEME**

AG Healey and Division of Banks Reach Settlement with Western Sky and CashCall; Entities Barred from Doing Business in Massachusetts

BOSTON – Attorney General Maura Healey and the Division of Banks have reached a settlement agreement with small installment loan lenders, their affiliated companies, and owners, following allegations that these businesses made illegal, high-interest loans over the internet to thousands of consumers without proper license or registration to conduct business in Massachusetts.

The [consent judgment](#), entered Monday in Suffolk Superior Court against Western Sky Financial, LLC, WS Funding, LLC, CashCall, Inc., Delbert Services Corporation, and their owners, Martin Webb and J. Paul Reddam, permanently enjoins them from doing any business in Massachusetts or collecting exorbitant interest on outstanding loan balances, and requires the lenders to refund all interest charges above the statutory rate and fees paid by consumers beyond their principal loan amount.

“These companies targeted thousands of financially-stressed consumers in need of a loan, and charged exorbitant interest rates and fees, causing these consumers and their families to incur even greater economic strain,” AG Healey said. “We are pleased to have worked with the Division of Banks in order to obtain significant restitution for consumers who were harmed, and permanently stop these lenders from doing business in Massachusetts.”

“Any businesses attempting to avoid the licensing and usury laws of the Commonwealth at the expense of Massachusetts consumers will not be tolerated,” said Undersecretary of the Office of Consumer Affairs and Business Regulation, John C. Chapman. “This settlement is a victory for the thousands of Massachusetts consumers who took out Western Sky loans and serves as a warning to unlicensed lenders. I am grateful for the joint efforts and hard work by the

Division of Banks and Attorney General's Office in securing this settlement providing significant relief for Massachusetts consumers."

According to the [AG's complaint](#), filed October 6, 2015 in Suffolk Superior Court, the internet-based companies from South Dakota and California made extremely high interest loans to Massachusetts consumers in amounts ranging from \$400 to \$9,925.00. Consumers who took out these loans incurred high up-front fees and were charged interest rates on these products ranging from 89 percent to 135 percent (with even higher annual percentage rates (APR) ranging from 89.26 percent to 355.27 percent), far exceeding the statutory limit of 12 percent interest for small loans of \$6,000 or less allowed in Massachusetts. For example, the smallest loan product of \$400 carried a 95 percent interest rate (an APR of 355.27 percent), a \$300 origination fee, and a six-month term with monthly payments of \$151.04.

Prior to the AG's complaint, in April 2013 the Division of Banks issued three cease and desist orders to the companies following its investigation prompted by consumer complaints. The Division discovered that none of the entities were licensed in Massachusetts to make or service consumer loans and that the loans carried exorbitant interest rates in violation of Massachusetts' lending and usury laws. Western Sky, CashCall, and WS Funding appealed the Division's orders to the Superior Court.

The [settlement](#) resolves the Division's pending actions with the lenders and the AG's lawsuit alleging violations of the state's consumer protection laws.

Under the terms of the agreement, consumers will be entitled to a refund if their total payments on their loans exceed the principal loaned to the borrower, plus the statutory maximum 12 percent rate of interest. If the borrower's total payments do not exceed the sum loaned to the borrower, the companies will modify all outstanding loans in order to help consumers pay down their balance without penalties. All outstanding loans will then be recalculated and payment terms adjusted to reflect a 12 percent rate of interest and two year maximum term. The settlement applies to all loans made by Western Sky to Massachusetts consumers, including loans made prior to the Division's issuance of its cease orders.

The settlement also orders the companies to be permanently banned from advertising, soliciting, brokering, purchasing or lending in Massachusetts, and they may not apply for any type of license or registration with the Division of Banks. The companies have agreed to pay civil penalties in the amount of \$388,231, half of which will be suspended upon full satisfaction of consumer reimbursements and compliance with the consent judgment. The companies have also agreed to pay \$65,000 in attorneys' fees.

The AG's Office estimates that the companies made more than 4,700 loans to Massachusetts consumers. More than 2,000 of those borrowers will be entitled to refunds totaling approximately \$2.4 million.

The Division of Banks estimates that, in all, the settlement could provide more than \$17 million in debt relief to Massachusetts consumers.

Consumers in Massachusetts should know the significant risks in connection with obtaining online short term or payday loans and their rights. For more information or questions, visit the [Attorney General's website](#) or call its consumer hotline at (617) 727-8400 or the Division of Banks' consumer hotline at (617) 956-1509.

Dahl Administration, Inc. will administer the refunds required by the settlement. Consumers eligible for a refund will be contacted in writing by Dahl within 60 days.

This case was handled by Assistant Attorney General Francesca L. Miceli of AG Healey's Consumer Protection Division and Assistant Attorney General Maryanne Reynolds of AG Healey's Administrative Law Division. This matter was initiated by the Division of Banks' Non-Depository Examination and Enforcement/Investigation Staff.

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