Press Release

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NYDFS OBTAINS TEMPORARY RESTRAINING ORDER AGAINST SUBPRIME AUTO LENDER ACCUSED OF STEALING MILLIONS FROM CONSUMERS

DFS Seeks Restitution for Consumers, Disgorgement of Profits

Condor Case is First Legal Action Brought by a State Regulator to Enforce Violations of Federal Dodd-Frank Consumer Protection Law

Benjamin M. Lawsky, Superintendent of Financial Services, today announced that the Department of Financial Services (DFS) has obtained a temporary restraining order in federal court against Condor Capital Corporation ("Condor"), a subprime auto lender based in Long Island, and its owner, Stephen Baron. A DFS investigation uncovered that Condor, as alleged, engaged in a longstanding scheme to steal millions of dollars from its vulnerable customers – among other unfair, abusive, and deceptive practices. As part of its ongoing legal proceeding, DFS is seeking restitution for Condor consumers, disgorgement of profits, the appointment of a receiver to wind down Condor's operations, and other remedies.

The proceeding against the defendants (Lawsky v. Condor) is the first legal action initiated by a state regulator under section 1042 of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). That provision empowers state regulators to bring civil actions in federal court for violations of Dodd-Frank's consumer protection requirements, and obtain restitution for abused customers and other remedies provided for under that law.

Superintendent Lawsky said: "When companies abuse New York consumers, we will use any tool at our disposal to get restitution and help make things right. As alleged, the defendants bilked millions of dollars from vulnerable borrowers who could least afford it. We are taking swift action today to stop them from abusing any more consumers and help obtain relief for those who were victimized."
Condor is a sales finance company that acquires and services automobile loans to customers in New York and more than two dozen other states. Condor's customers are "subprime" or "non-prime," meaning that they have inadequate credit or resources to borrow from a "prime" or "near-prime" lender. Subprime customers are particularly vulnerable to harm from unsound lending and business practices because of their economic circumstances.

According to the complaint brought by DFS, Condor is alleged to have systematically hid from its customers the fact that they have refundable positive credit balances. A positive credit balance is money owed by Condor to a customer as a result of an overpayment of the customer's account that can come about in several different ways. For example, a customer might pay more than the outstanding loan balance, a car may be destroyed (or totaled), and the insurance proceeds might exceed the outstanding loan balance, or a customer might trade in the car that is the subject of the loan and receive a credit greater than the outstanding balance.

As alleged, rather than notifying customers of positive credit balances and promptly paying them refunds, Condor has for years knowingly and systematically hidden the existence of the positive credit balances and retained them for itself, and has maintained a policy of refusing to refund them except when expressly requested by a customer. Condor has ensured that such requests will occur rarely, if ever, by actively concealing the existence of positive credit balances to prevent customers from detecting them and requesting refunds. For example, Condor has deceptively programmed its customer-facing web portal to shut down a customer's access to his or her loan account once the loan has been paid off, even if there is a positive credit balance due to the customer.

Condor is also alleged to have endangered the security of its customers' personally identifiable information, placing them at serious risk of identity theft. Among other information-security lapses, the DFS examiners found stacks of hundreds of hard-copy customer loan files lying around the common areas of Condor's offices. Condor also has failed – despite repeated directives from DFS – to adopt basic policies, procedures, and controls to ensure that its information technology systems (and the customer data they contain) are secure.

DFS has reviewed and analyzed numerous complaints about Condor. Multiple customers have alleged that Condor has harassed and threatened customers and friends and relatives of customers, including for accounts that are current. Other customers have alleged that Condor has reported inaccurate information to credit agencies, imposed fees or late charges where none are appropriate, or has failed to properly apply payments to loan balances. Still other complainants – including complainants that are not Condor customers – have alleged that Condor has made unauthorized charges to their credit cards or unauthorized debits from their bank accounts.

The allegations in DFS's complaint remain subject to proof at trial. The Court has scheduled a hearing on DFS's request for a preliminary injunction for Tuesday, April 29, 2014 at 10:00 a.m.

Condor customers who believe they have been victimized can file a complaint with the Department of Financial Services consumer hotline at (800) 342-3736 or online **http://www.dfs.ny.gov/consumer/fileacomplaint.htm**.

Superintendent Lawsky extends special thanks to the law firm of Friedman Kaplan Seiler & Adelman LLP, in particular, Eric Corngold, Anne Beaumont, Christopher Colorado, and Raina Nortick, for working with the Department on the case.

The case is being handled for DFS by Brian Montgomery and Anna MacCormack under the direction of Joy Feigenbaum, Executive Deputy Superintendent, and Nancy Ruskin, Deputy Director.

To view a copy of the complaint, please visit, **link**.