

Consumer Financial Protection Bureau Settles with Short-Term Lender for Unfair and Deceptive Acts and Practices

APR 01, 2020

WASHINGTON, D.C. – Today the Consumer Financial Protection Bureau (Bureau) announced a settlement with Cottonwood Financial, Ltd., which does business under the name Cash Store. Cash Store is based in Irving, Texas and owns and operates roughly 340 retail lending outlets in Idaho, Illinois, Michigan, New Mexico, Texas, Utah, and Wisconsin. The Bureau found that in the course of marketing, servicing, and collecting on high-interest payday, auto-title, and unsecured consumer-installment loans Cash Store violated the Consumer Financial Protection Act (CFPA), Fair Credit Reporting Act (FCRA), and Truth in Lending Act (TILA). The consent order requires Cash Store to pay over \$1.3 million in redress and penalties.

Specifically, the Bureau found that Cash Store made deceptive representations in its television advertisements and telemarketing calls when promoting “50%-off” all of its loan fees when it did not in fact provide that discount. Cash Store engaged in unfair practices by repeatedly calling consumers’ workplaces and references after being asked to stop and not for purposes of locating consumers, disclosing the delinquency of consumers’ debts to third parties or using tactics that risked such disclosure, and making excessive calls to consumers that aggravated, annoyed, and distressed consumers. Cash Store violated the FCRA by failing to maintain adequate policies and procedures concerning the accuracy and integrity of the information it furnished to consumer reporting agencies, potentially affecting about 20,000 consumer accounts. Cash Store also violated TILA by failing to provide the annual percentage rate to consumers when they inquired over the phone about the cost of their loans.

The consent order issued against Cash Store requires it to provide \$286,675.64 in redress to over 1,200 borrowers whom Cash Store falsely promised 50% off all fees. The consent order requires Cash Store to pay a civil money penalty of \$1,100,000 to the Bureau’s Civil Penalty Fund. The consent order also prohibits Cash Store from certain collection practices and requires it to ensure that its employees respond accurately when asked about loan costs.

The consent order issued against Cash Store is available at:

https://files.consumerfinance.gov/f/documents/cfpb_cottonwood-financial_consent-order_2020-04.pdf 

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by regularly identifying and addressing outdated, unnecessary, or unduly burdensome regulations, by making rules more effective, by consistently enforcing federal consumer financial law, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.

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 - TRUTH IN LENDING ACT (TILA)
 - FAIR CREDIT REPORTING ACT
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