



December 23, 2013

Consumer Financial Services Committee

# CONSUMER FINANCIAL SERVICES E-BULLETIN

BUSINESS LAW SECTION

STATE BAR OF CALIFORNIA

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## CFPB Sues CashCall for Debt Collection on Online Payday Loans

The Consumer Financial Protection Bureau (CFPB) last week [sued](#) CashCall for collecting debts originated by an online payday lender affiliated with an Indian tribe. Notably, the suit alleges a violation of federal law based on servicing of loans that the CFPB contends are illegal under state law. The complaint alleges that the loans issued by the online payday lender violated usury laws in the borrowers' home states, and that Indian tribal law does not apply to the loans at issue. The CFPB then alleges that CashCall engaged in unfair, deceptive, and abusive acts under federal law by collecting on debts that are illegal under state law. CashCall has publicly criticized the enforcement action as violating a provision of Dodd-Frank that limits the CFPB's authority to set usury limits on interest rates.

The action is the latest in a wave of regulatory actions and private class action suits against those who provide services to online payday lenders. In August, the New York Department of Financial Services sent [letters](#) to numerous banks processing ACH transactions for online payday lenders, advising those banks to stop providing those services. A series of private class action lawsuits has been brought against [banks](#) on the same theory, as well as against credit reporting agencies that provide credit reporting information to online lenders. Concurrently with the CFPB's suit against CashCall, Colorado's attorney general [announced](#) an enforcement action against the company as well for its services to online lenders.

For more information, please contact [Rita Lin](#) of Morrison & Foerster LLP.

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