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The Consumer Financial Protection Bureau (CFPB) has taken 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,

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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

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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.

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