



CASHCALL, WESTERN SKY TO PAY NC \$9 MILLION PLUS FOR ILLEGAL LOANS

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Online fast cash lender that charged excessive interest rates now banned from business

Raleigh: North Carolina consumers who took out loans from online fast cash lenders CashCall and Western Sky will share more than \$9 million in refunds under a settlement approved by the court, Attorney General Roy Cooper and Commissioner of Banks Ray Grace announced today.

“Instead of pulling you out of the ditch, these kinds of loans sink borrowers deeper and deeper in debt,” Cooper said. “North Carolinians who fall prey to these unfair and unlawful loans deserve relief.”

“We expect those who lend to North Carolina consumers to do so legally,” said Grace. “The defendants sought to circumvent the law in order to charge consumers illegal fees and interest rates resulting in a cycle of debt. This hurts not just consumers but other licensed lenders that abide by the law.”

In December 2013, Cooper and the North Carolina Office of the Commissioner of Banks [filed suit](#) against CashCall, Western Sky and related companies for violating North Carolina laws that ban excessive interest rates on small consumer loans. According to [the complaint](#), financially strapped North Carolina consumers who took out personal loans of \$850 to \$10,000 from the defendants faced annual interest rates of 89 to 342 percent, far in excess of rates allowed under state law. In August 2015, at the request of Cooper and the Commissioner of Banks, the court [banned the companies from making or collecting on loans](#) in North Carolina.

Cooper said he was encouraged by a proposed new federal [rule](#) that gives more protections to borrowers nationwide but warned the rule is weaker than North Carolina’s law which outlaws payday lending. Currently there is no federal rule on payday loans. Though the proposed rule doesn’t preempt state law it fails to cap interest rates or give consumers the same protections afforded to members of the military.

“Though our state’s laws are stronger, tougher rules for payday lenders just over state lines could help protect North Carolina borrowers who seek loans outside state borders,” Cooper said.

In the Western Sky and CashCall [consent judgment](#) issued by Special Superior Court Judge Gregory P. McGuire, the defendant companies are ordered to:

- Stop collecting on loans made to North Carolina borrowers.
- Cancel all loans owed by North Carolina consumers.

- Ask the credit bureaus to remove any negative information about the loans that appears on North Carolina borrowers' credit reports.
- Pay \$9,375,000 including \$9,025,000 in refunds to North Carolina consumers and \$350,000 to cover the costs of the investigation, lawsuit, and administering the settlement.
- Cease unlicensed lending in North Carolina, including advertising, soliciting, making, facilitating, servicing, collecting on, selling or transferring any loans.

The settlement marks North Carolina's first successful effort to ban an online payday-type lender that tried to evade the law by claiming affiliation with an Indian tribe. The case is expected to help the state enforce its lending laws against other violators operating online.

Payday and other high interest rate loans are against the law in North Carolina, and Cooper and the Office of the Commissioner of Banks have fought for many years to shut down illegal storefront lenders that used a variety of ruses to try to keep operating in North Carolina. Storefront payday lenders were banned in North Carolina in 2006, but lenders outside the state continue to try to reach North Carolina consumers online and through advertising.

CashCall, Western Sky and related companies issued more than 21,000 loans to North Carolina consumers via the Internet between 2010 and 2013. Cooper's Consumer Protection Division and the Commissioner of Banks' Office received more than 300 complaints from consumers about the defendants' loans. Many of these consumers reported that they made loan payments for months only to learn that nearly all of their payments had gone toward interest and very little toward paying off the principal.

"We've all been hit with unexpected expenses, but risky loans with oppressive interest rates aren't the answer," Cooper warned. "Look for better options such as negotiating with your creditors, getting an advance from an employer, or borrowing from friends, family or a reputable local lender."

For more [tips on payday loans](#) or to report one, contact the Consumer Protection Division at 1-877-5-NO-SCAM toll-free within North Carolina or online at ncdoj.gov.

Contact: [Noelle Talley](#)

Phone: 919/716-6413

North Carolina Department of Justice / Roy Cooper, Attorney General (919) 716-6400