

**UNITED STATES OF AMERICA
BEFORE THE CONSUMER FINANCIAL PROTECTION BUREAU**

**Administrative Proceeding
File No. 2016-CFPB-0021**

In the Matter of:

Presto Auto Loans, Inc.,

Respondent.

**NOTICE OF CHARGES
SEEKING CIVIL MONETARY
PENALTIES AND OTHER
LEGAL AND EQUITABLE
RELIEF**

The Consumer Financial Protection Bureau (“CFPB” or “Bureau”) submits this Notice of Charges against Respondent Presto Auto Loans, LLC (“Presto” or “Company”) alleging the Company failed to disclose a corresponding annual percentage rate when advertising a periodic interest rate in violation of the Truth in Lending Act (“TILA”) 15 U.S.C. § 1664(c), the Consumer Financial Protection Act of 2010 (“CFPA”), 12 U.S.C. § 5536(a)(1)(A), and TILA’s implementing Regulation Z, 12 C.F.R. § 1026.24(c). In support of its Notice of Charges, the Bureau alleges and submits as follows:

Jurisdiction and Legal Authority

1. The Bureau has authority over this matter pursuant to sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565.
2. Under section 1053 of the CFPA, the Bureau may bring an adjudication proceeding to enforce compliance with TILA, Regulation Z, and section 1036(a)(1) of the CFPA. 12 U.S.C. § 5563(a).

3. Under section 1055 of the CFPA, the Bureau has jurisdiction to grant any appropriate legal or equitable relief with respect to a violation of federal consumer financial law, including the TILA and Regulation Z, and the CFPA violations alleged in this Notice of Charges. 12 U.S.C. §§ 5511(c)(4), 5512(a), 5563, 5565.

Respondent

4. Presto is a corporation formed in Arizona in 2002.

5. The Company is licensed as a sales finance company by the Arizona Department of Financial Institutions.

6. The Company offers, and has been offering during all times relevant to this Notice of Charges, “closed-end credit” in the form of vehicle title loans to “consumers” as those terms are defined in Regulation Z, 12 C.F.R. § 1026.2(a)(10) & (11).

7. Presto is a “person” within the meaning of TILA and Regulation Z because it is corporation. 15 U.S.C. § 1602(e), 12 C.F.R § 1026.2(a)(22).

8. Presto is a “covered person” under the CFPA because it is a corporation that engages in offering and providing vehicle title loans, which are “consumer financial products or services” under the CFPA. 12 U.S.C. §§ 5481(5), (6), (15)(A)(i), (19).

The CFPA

9. Section 1036(a)(1)(A) of the CFPA prohibits covered persons from offering or providing to a consumer “any financial product or service not in conformity with Federal consumer financial law,” or otherwise committing “any act or omission in violation of a Federal consumer financial law.” 12 U.S.C. § 5536(a)(1)(A).

TILA and Regulation Z

10. TILA's implementing regulation, Regulation Z, requires that when an advertisement for closed end credit "states a rate of finance charge, it shall state the rate as an 'annual percentage rate,' using that term." 12 C.F.R. § 1026.24(c); *see also* 15 U.S.C. § 1664(c).
11. Regulation Z defines "advertisement" as "a commercial message in any medium that promotes, directly or indirectly, a credit transaction." 12 C.F.R. § 1026.2(a)(2).
12. Regulation Z defines "finance charge" as "the cost of consumer credit as a dollar amount." The finance charge "includes any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit." 12 C.F.R. § 1026.4(a).
13. Regulation Z also sets forth detailed requirements that creditors must follow when calculating the annual percentage rate. 12 C.F.R. § 1026.22; *see also* 15 U.S.C. § 1606.

Allegations Regarding Non-Compliant Advertisements

14. Presto markets its services on the Internet at the address <http://prestoauto loans.com/home.html>.
15. On the home page of the Company's website, in large letters, the Company advertises "5% MPR TITLE LOANS ½ THE MAX LEGAL RATE."

The screenshot shows the top navigation bar of the Presto website with buttons for "Pay Online!", "Questions", "Locations", "What to Bring", "Careers", and "Feedback". On the left is a vertical banner for "PRESTO 5% MPR TITLE LOANS 1/2 THE MAX LEGAL RATE". The main content area features a "Why Choose Presto?" section with a list of benefits: "Cheaper", "No additional fees", "No prepayment penalty", "Help improve your credit", "Payments include interest & principal", "Interest is 1/2 the maximum legal rate", "We report to all 3 major credit bureaus", and "No vehicle year or mileage limitations".

The main promotional banner features a "Apply by Phone 602-277-2000" button with a mobile phone icon, a "Testimonials" button with a woman's photo, and a "Prestoman!" character holding a "5% mpr" sign and a "PRESTO AUTO LOANS 1/2 Legal Rate" sign. The text reads: "He's here to save you from high interest title loans! All of our title loans are at 5% mpr interest rate! Prestoman.... saving customers from the other guys high interest rate title loans!"

16. The Company's Internet advertisement constitutes a commercial message in any medium that promotes, directly or indirectly, a credit transaction.

17. The Company's Internet advertisement fails to disclose a corresponding annual percentage rate for the advertised rate of 5%MPR. The advertisement also fails to use the term "annual percentage rate" or its common abbreviation "APR."

18. No other page within Presto website domain discloses the annual percentage rate that corresponds to the 5% financing rate advertised on the website homepage.

19. The advertisement has been displayed continuously on the Company's website since at least July 6, 2016.

Violations of Law

Count One: Violation of TILA and Regulation Z, Failure to State the Annual Percentage Rate in Advertising

20. The allegations in paragraphs 1 – 19 are incorporated by reference.
21. Since at least July 6, 2016, Presto has been advertising an interest rate of 5% on its website without advertising a corresponding annual percentage rate and without using the term “annual percentage rate” in violation of 15 U.S.C. § 1664(c) and 12 C.F.R. § 1026.24.

Count Two: Violation of the CFPA, Failure to State the Annual Percentage Rate in Advertising

22. The allegations in paragraphs 1 – 19 are incorporated by reference.
23. The failure to disclose the annual percentage rate when advertising a rate of a finance charge in advertising is a violation of both TILA and its Regulation Z.
24. The Company’s failure to comply with the advertising requirements of TILA and Regulation Z constitutes a violation of section 1036(a)(1)(A) of the CFPA, 12 U.S.C. §§ 5536(a)(1)(A).

Demand for Relief

Wherefore, as permitted by 12 U.S.C. § 5565, the Bureau seeks a final order:

- a. permanently enjoining Presto Auto Loans, Inc. from committing future violations of the Truth in Lending Act, 15 U.S.C. § 1601, et seq., Regulation Z, 12 C.F.R. § 226, et seq., the Consumer Financial Protection Act, 12 U.S.C. § 5536, or any provision of “Federal consumer financial law” as defined by 12 U.S.C. § 5481(14);

- b. awarding other appropriate injunctive relief against Presto Auto Loans, Inc.;
- c. awarding civil money penalties against Presto Auto Loans, Inc.;
- d. awarding costs against Presto Auto Loans, Inc.; and
- e. awarding additional relief as deemed just and proper.

Proceeding Time and Place

Pursuant to 12 C.F.R. § 1081.203(d), the time and place of the administrative proceeding in the above-captioned action shall be determined by the hearing officer in the scheduling order.

Time to Answer

The answer must be filed and served within 14 days of service of this Notice of Charges, in accordance with 12 C.F.R. § 1081.201(a).

September 20, 2016

Respectfully submitted,

Anthony Alexis
Enforcement Director

David Rubenstein
Deputy Enforcement Director

Frank Kulbaski
Assistant Deputy Enforcement Director

/s/ Rebecca Coleman

Rebecca Coleman
Rina Tucker Harris
Enforcement Attorneys

Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552
(202) 435-7544 – Telephone
Rebecca.Coleman@cfpb.gov

*Attorneys for Consumer Financial Protection
Bureau*