

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
Alexandria Division

Consumer Financial Protection Bureau,

Plaintiff,

v.

A To Z Pawn, Inc.,

Defendant.

CIVIL ACTION NO. _____

COMPLAINT

The Consumer Financial Protection Bureau (Bureau) alleges the following against A To Z Pawn, Inc.

Introduction

1. The Bureau brings this action under § 1054 of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. § 5564, and § 108 of the Truth in Lending Act (TILA), 15 U.S.C. § 1607(a)(6), based on A To Z Pawn's failure to disclose an accurate annual-percentage rate on closed-end pawn contracts, in violation of TILA, 15 U.S.C. § 1601, *et seq.*, and its implementing regulation, Regulation Z, 12 C.F.R. part 1026, and § 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(A).

Jurisdiction and Venue

2. This Court has subject-matter jurisdiction over this action because it is brought under "Federal consumer financial law," 12 U.S.C. § 5565(a)(1), presents a federal question, 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C. § 1345.

3. Venue is proper in this district because A To Z Pawn is located, resides, and does business here. 28 U.S.C. § 1391(b)-(d); 12 U.S.C. § 5564(f).

Parties

4. The Bureau is an agency of the United States created by the CFPB and charged with regulating the offering and providing of consumer-financial products and services under federal consumer-financial laws. 12 U.S.C. § 5491(a). It has independent litigating authority, including the authority to enforce the regulations promulgated under TILA. 15 U.S.C. § 1607. *See* 12 U.S.C. § 5564(a)-(b); *see also* 12 U.S.C. § 5481(12)(O), (14) (defining “Federal consumer financial law” to include TILA).

5. A To Z Pawn is a Virginia corporation with its principal place of business in Virginia. A To Z Pawn operates as a pawnbroker, issuing closed-end loans for consumers’ personal, family, or household purposes that are secured by personal property. A To Z Pawn offers or provides a consumer-financial product or service under the CFPB, 12 U.S.C. §§ 5481(5)(A), (15)(A)(i), and is thus a “covered person” under the CFPB, 12 U.S.C. § 5481(6)(A).

Facts

6. From 1989 through the present, A To Z Pawn has operated as a pawnbroker out of its store located at 8462 Centerville Road, Manassas Park, Virginia 20111.

7. In connection with each loan, A To Z Pawn charges a finance charge of an amount that varies with the size of the loan. Fees for “setup,” “interest,” “service,” and “misc” make up the total finance charge. Each fee is charged as a condition of the extension of credit.

8. A To Z Pawn’s loan contracts disclose the following terms with associated values in prominent boxes under the heading “Truth in Lending”: “maturity date,” “amount financed,” “finance charge,” “total of payments,” “annual percentage rate,” and “payment schedule.”

9. Since at least January 2013, A To Z Pawn's loan contracts have disclosed a "Breakdown/Explanation of Finance Charges" that includes a box for each of the four fees charged—setup, interest, service, and misc—as well a total "finance charge."

10. Since at least January 2013, on most of its contracts, the total "finance charge" disclosed by A To Z Pawn under the heading "Truth in Lending" did not match the total "finance charge" disclosed under the heading "Breakdown/Explanation of Finance Charge."

11. The value of the finance charge is material to a consumer's decision to obtain a pawn loan from A To Z Pawn, and the discrepancy between the total finance charge listed in two places on the contract is likely to mislead consumers.

12. From at least January 2013 through at least April 2016, A To Z Pawn disclosed an incorrect annual percentage rate, or APR, on most of its contracts, understating the APRs by as much as half of the accurate rate.

13. The inaccurate APRs on A To Z Pawn's contracts underrepresented the true cost of the loans made to thousands of consumers.

**Count One
Violations of TILA**

14. The Bureau realleges and incorporates by reference paragraphs 1-13.

15. TILA and Regulation Z require that certain material disclosures be provided to a consumer before consummation of a loan contract. 15 U.S.C. § 1638(a)-(b); 12 C.F.R. § 1026.17(a)-(b), 1026.18.

16. Among the required material disclosures in a closed-end credit transaction are the finance charge and APR. 15 U.S.C. §§ 1602(v), 1638(a)(3)-(4); 12 C.F.R. § 1026.18(d)-(e).

17. The finance charge is generally “the sum of all charges, payable directly or indirectly by the person to whom the credit is extended, and imposed directly or indirectly by the creditor as an incident to the extension of credit.” 15 U.S.C. § 1605(a).

18. Regulation Z requires that a contract for closed-end credit disclose the finance charge, “using that term, with a brief description such as ‘the dollar amount the credit will cost you.’” 12 C.F.R. § 1026.18(d).

19. The APR is “a measure of the cost of credit, expressed as a yearly rate.” 12 C.F.R. § 1026.22(a)(1); *see also* 15 U.S.C. § 1606(a).

20. Regulation Z requires that a contract for closed-end credit disclose the APR, “using that term, with a brief description such as ‘the cost of your credit as a yearly rate.’” 12 C.F.R. § 1026.18(e).

21. The “setup,” “interest,” “service,” and “misc” fees charged by A To Z Pawn are all incident to the extension of credit and part of the finance charge required to be disclosed to consumers and included in calculation of the APR disclosed to consumers. 15 U.S.C. §§ 1605(a), 1606(a), 1638(a)-(b); 12 C.F.R. §§ 1026.4(a), 1026.18, 1026.22; 12 C.F.R. pt. 1026, Supp. I (Comment 17(c)(1)-18).

22. In the course of extending closed-end credit, A To Z Pawn used credit agreements that inaccurately disclosed the finance charge and APR required by TILA and Regulation Z. 15 U.S.C. §§ 1605(a), 1606(a), 1638(a)-(b); 12 C.F.R. § 1026.18(d)-(e); 12 C.F.R. § 1026.22.

23. A To Z Pawn therefore violated TILA and Regulation Z. 15 U.S.C. §§ 1605(a), 1606(a), 1638(a)-(b); 12 C.F.R. § 1026.18(d)-(e); 12 C.F.R. § 1026.22.

**Count Two
Violations of the CFPA**

24. The Bureau realleges and incorporates by reference paragraphs 1-13.

25. A To Z Pawn's violations of TILA and Regulation Z, alleged in Count One, constitute violations of the CFPA. 12 U.S.C. § 5536(a)(1)(A).

Demand for Relief

Wherefore, the Bureau requests that the Court:

1. enjoin A To Z Pawn from committing future violations of TILA and the CFPA;
2. award restitution;
3. award damages or other monetary relief;
4. order disgorgement of ill-gotten gains;
5. award a civil-money penalty;
6. award costs; and
7. award additional relief as the Court may determine to be just and proper.

Dated: December 19, 2016

Respectfully submitted,

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