

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

Consumer Financial Protection Bureau,

Plaintiff,

v.

Spotsylvania Gold & Pawn, Inc.,

Defendant.

CIVIL ACTION NO. 3:16cv988

COMPLAINT

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

Facts

6. From 1994 through the present, Spotsylvania Gold & Pawn has operated as a pawnbroker and, since 2003, has operated out of its store located at 5049 Jefferson Davis Highway, Fredericksburg, Virginia 22408.

7. In connection with each loan, Spotsylvania Gold & Pawn charges a finance charge of an amount that varies with the size of the loan. Fees called “interest,” “storage,” and “ERF” make up the total finance charge. Each fee is charged as a condition of the extension of credit.

8. Spotsylvania Gold & 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. From at least June 2013 through at least April 2015, Spotsylvania Gold & Pawn’s loan contracts described “annual percentage rate” as “[c]ost of your credit interest (only) per year.”

10. From at least June 2013 through at least April 2015, Spotsylvania Gold & 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.

11. The inaccurate APRs on Spotsylvania Gold & Pawn’s contracts underrepresented the true cost of the loans made to thousands of consumers.

**Count One
Violations of TILA**

12. The Bureau realleges and incorporates by reference paragraphs 1-11.

13. 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.

14. 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).

15. 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).

16. 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).

17. 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).

18. 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).

19. The “interest,” “storage,” and “ERF” fees charged by Spotsylvania Gold & 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).

20. In the course of extending closed-end credit, Spotsylvania Gold & Pawn used credit agreements that did not include an accurate description of the APR, as required by Regulation Z. 12 C.F.R. § 1026.18(e).

21. In the course of extending closed-end credit, Spotsylvania Gold & Pawn used credit agreements that inaccurately disclosed the 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.

22. Spotsylvania Gold & 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**

23. The Bureau realleges and incorporates by reference paragraphs 1-11.

24. Spotsylvania Gold & 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 Spotsylvania Gold & 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,

ANTHONY M. ALEXIS
Enforcement Director

JEFFREY PAUL EHRLICH
Deputy Enforcement Director

/s/ Kara K. Miller
KARA K. MILLER (Virginia Bar No. 47821)
Assistant Litigation Deputy
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552
Tel.: (202) 435-7825
Fax: (202) 435-7329
kara.miller@cfpb.gov
DONALD R. GORDON (D.C. Bar 482384)
Senior Litigation Counsel
Consumer Financial Protection Bureau
140 E. 45th St.
New York, NY 10021
Tel.: (212) 328-7011
donald.gordon@cfpb.gov
Attorneys for Plaintiff
Consumer Financial Protection Bureau