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9
10 UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
11 WESTERN DIVISION

12 Consumer Financial Protection
13 Bureau,

14 Plaintiff,

15 v.
16

17 Dmitry Fomichev,

18 Defendant.
19

Case No. 2:16-cv-2724

COMPLAINT FOR VIOLATIONS OF
THE CONSUMER FINANCIAL
PROTECTION ACT OF 2010

20
21 **Introduction**

22 The Consumer Financial Protection Bureau (Bureau) brings this action
23 against Dmitry Fomichev (Defendant or Fomichev) under the Consumer Financial
24 Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5536(a)(3), 5564, 5565. Fomichev
25 co-founded D and D Marketing, Inc., d/b/a T3Leads (T3), a lead aggregator that
26 sells consumer-loan applications as “leads” to small-dollar lenders and other
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1 purchasers. T3 failed to vet or monitor its lead generators and lead purchasers,
2 exposing consumers to the risk of having their information purchased by actors
3 who would use it for illegal purposes. T3 allowed its lead generators to attract
4 consumers with misleading statements and took unreasonable advantage of
5 consumers' lack of understanding of the material risks, costs, or conditions of the
6 loan products for which they apply. T3's conduct was unfair and abusive, in
7 violation of the CFPA, 12 U.S.C. §§ 5531, 5536(a)(1). Fomichev knowingly or
8 recklessly provided substantial assistance to T3 in its unfair and abusive acts and
9 practices, in violation of the CFPA, 12 U.S.C. § 5536(a)(3).

13 **Jurisdiction and Venue**

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

19
20 2. This Court has personal jurisdiction over the Defendant because the
21 causes of action arose from the Defendant's conduct of business in this District,
22 and the Defendant resides here. 12 U.S.C. § 5564(f).

23
24 3. Venue is proper in this District because a substantial part of the acts or
25 omissions giving rise to the claims occurred here, and the Defendant transacted
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1 business in this district and resides in this district. 28 U.S.C. § 1391(b), (c); 12
2 U.S.C. § 5564(f).
3

4 **Parties**

5 4. The Bureau is an independent agency of the United States charged
6 with regulating the offering and providing of consumer-financial products and
7 services under “Federal consumer financial laws.” 12 U.S.C. § 5491(a). The
8 Bureau is authorized to initiate civil actions in federal district court, by its own
9 attorneys, to address violations of “Federal consumer financial law.” 12 U.S.C.
10 § 5564(a)-(b).
11
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13 5. Fomichev is a co-founder and was the Chief Executive Officer and
14 Chief Technical Officer of T3 from the company’s founding in 2005 through July
15 2014. Fomichev had managerial responsibility for T3 and materially participated in
16 the conduct of its affairs. Fomichev resides in this District and, in connection with
17 the matters alleged, transacted business here.
18
19

20 **Factual Background**

21 6. D and D Marketing, Inc., d/b/a T3Leads, is a California S-Corporation
22 with its principal place of business at 4000 West Alameda Avenue, Suite 200,
23 Burbank, California, 91436. T3 is in the business of receiving consumer-loan
24 applications from lead generators and selling the applications as leads to small-
25 dollar lenders.
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1 7. Fomichev co-founded T3 in 2005 and claims to own 50% of the
2 company.
3

4 8. Fomichev served as Chief Executive Officer and Chief Technical
5 Officer of T3, and he was responsible for designing the proprietary software and
6 systems used to transact T3's business.
7

8 9. Fomichev had substantial control over and involvement in the
9 establishment of T3's business policies and practices.
10

11 10. T3 has a network of lead generators from which it receives
12 applications and a network of purchasers to which it sells those applications. T3
13 sometimes acted as its own lead generator, accepting applications directly from
14 consumers.
15

16 11. T3 does not share the identities of its lead generators with its
17 purchasers, and T3 does not share the identities of its purchasers with its lead
18 generators.
19

20 12. Lead generators operate websites that advertise loans and through
21 which consumers submit loan applications. Lead generators transfer the
22 applications to T3, and T3 sells the applications to purchasers in its network.
23

24 13. The purchasers include online small-dollar lenders, as well as data
25 managers, data brokers, and remarketing companies.
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1 14. Lenders to which T3 sells applications extend credit in the form of
2 small-dollar loans for use by consumers for personal, family, or household
3 purposes, with an expectation that the principal, interest, and fees will be collected
4 from consumers.
5

6 15. Data managers are intermediaries for lenders that outsource their lead-
7 purchasing activities, and data brokers are lead aggregators that have their own
8 networks of purchasers to which they sell applications after they purchase them
9 from T3. T3 does not know the end purchasers of the applications it sells to data
10 managers or data brokers. Remarketing companies buy consumer information to
11 send marketing materials to consumers for products other than the loans for which
12 consumers applied.
13
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15 16. To filter and sell applications to purchasers, T3 uses a “ping tree,”
16 which sets the order in which purchasers have the opportunity to purchase a given
17 application from T3. The position of each purchaser in the ping tree is determined
18 primarily by the price the purchaser is willing to pay T3 for that application; the
19 higher the price, the better the purchaser’s position in the ping tree.
20
21

22 17. Fomichev shared responsibility for deciding the position of each
23 purchaser in the ping tree and designed T3’s systems to filter and sell applications
24 in the manner most profitable to T3, without regard for the practices of lead
25 generators or purchasers.
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1 18. A consumer who submits a loan application on a lead generator's
2 webpage is immediately redirected from that page to a lender's webpage. This
3 automated process takes just seconds, and the consumer is not informed that the
4 loan application has been filtered through T3 or sold by T3.
5

6 19. T3 does not continuously monitor lead generator websites to check for
7 misleading or inaccurate statements to consumers.
8

9 20. T3 regularly accepts applications from lead generators whose websites
10 include misrepresentations that are likely to mislead consumers into believing that
11 lenders to which they will be directed have been evaluated and meet certain
12 standards, such as following rules and practices set by industry associations and
13 government agencies or offering reasonable rates.
14
15

16 21. T3 also accepts applications from lead generators who have
17 incorrectly represented that they are themselves lenders and lead generators who
18 have falsely suggested that they would help consumers find the best rates or lowest
19 fees or that they would review consumers' applications to match them with the
20 most appropriate lenders.
21

22 22. Despite the representations to consumers by some of them, T3's lead
23 generators typically do not provide loans directly to consumers, do not select the
24 lenders that will see a consumer's application, and have no involvement in
25 determining or knowledge of the specific terms of the loan a consumer receives
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1 after T3 sells the application. Indeed, lead generators forward applications to T3
2 without regard for how the consumers' information will be used.
3

4 23. T3 does not require its purchasers to provide T3 with the precise loan
5 terms that consumers will be offered, and T3 makes no attempt to match
6 consumers with the best loan for their needs, as consumers are led to believe by
7 some lead generators.
8

9 24. T3 has reason to believe or knows that the applications it sells are
10 likely to result in loans with interest rates that exceed state usury limits or
11 otherwise fail to comply with laws of the state where the consumer is located. T3
12 knows in advance of its sales the application parameters each of its purchasers will
13 accept, and T3 knows the identity of each purchaser. T3 sells to these purchasers
14 based on its own financial interests, without regard to representations to and
15 expectations of consumers.
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18 25. T3 does not require data managers or data brokers to disclose the
19 ultimate purchasers of T3's applications. T3 therefore does not know the identity
20 of all lenders that obtain consumer applications through its lead-purchaser network.
21
22

23 26. T3 does not vet or monitor the purchasers in its network for
24 compliance with applicable laws.

25 27. Many of T3's lenders are entities organized by Indian tribes, known as
26 tribal lenders, or organized under the laws of foreign jurisdictions, known as
27

1 offshore lenders. These lenders typically claim immunity from state regulation, do
2 not comply with the laws of the states where the consumers to which they make
3 loans are located, and do not concede that they are subject to jurisdiction in a
4 forum convenient to the consumer. T3 fails to provide accurate information to
5 consumers about the purchasers in T3's network.
6
7

8 28. Tribal lenders and offshore lenders typically charge higher interest
9 rates than lenders adhering to state laws. Because they charge higher interest rates,
10 these lenders generally are willing to pay more for applications and thus rank at the
11 top of the T3 ping tree.
12

13 29. Many of the tribal lenders among T3's purchasers offer contracts
14 providing for the application of tribal law to the contract and providing an
15 exclusive tribal dispute-resolution process.
16

17 30. Certain entities operating or purporting to operate in the small-dollar-
18 loan industry have engaged in a variety of fraudulent schemes involving
19 applications purchased from lead aggregators. T3 knew or should have known of
20 such fraudulent actors in the small-dollar-loan industry and the risk of purchasers
21 using its applications for illegal purposes.
22

23 31. In 2013, T3 requested information regarding whether its purchasers
24 complied with the laws of the states where they made loans. Many of its purchasers
25 failed to respond to this request, but T3 continued to do business with them.
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1 32. Purchasers provide regular feedback to T3 regarding the quality of the
2 purchased applications, including the number of applications that result in loans
3 and reasons why some did not result in loans. T3 uses this information to evaluate
4 its lead generators and refine its processing to optimize “conversion,” or the rate at
5 which applications result in loans. This optimization is conducted for T3’s
6 benefit—to sell more applications.
7

8
9 33. T3 controls the information shared between its lead generators and its
10 purchasers, allowing lead generators to claim ignorance of the terms of the loans
11 offered to consumers and allowing purchasers to claim ignorance of the methods
12 used to attract consumers. T3’s process allows some purchasers to receive
13 applications that they have been prohibited from soliciting directly.
14
15

16 **Count I**
17 **Substantial Assistance in T3’s Unfair Acts and Practices**

18 34. Plaintiff realleges and incorporates by reference paragraphs 1-33 of
19 this Complaint.
20

21 35. The lenders to which T3 sells applications are “covered persons”
22 under the CFPA—they extend credit for use by consumers for personal, family, or
23 household purposes. 12 U.S.C. § 5481(15)(A)(i).
24

25 36. T3 provides a material service to covered persons in connection with
26 the offering or provision by the covered persons of a consumer-financial product or
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1 service. T3 is a “service provider” to covered persons under the CFPA. 12 U.S.C.
2 § 5481(26)(A).
3

4 37. An act or practice is unfair if it causes or is likely to cause substantial
5 injury to consumers that is not reasonably avoidable by consumers and is not
6 outweighed by countervailing benefits to consumers or to competition. 12 U.S.C.
7 § 5531(c)(1).
8

9 38. T3’s lead generators make statements to consumers regarding the
10 lenders that will receive the consumers’ information and the loans those lenders
11 will offer.
12

13 39. T3 knows or should know of the lead generators’ statements and that
14 they are often false and misleading.
15

16 40. T3 does not vet or monitor its purchasers for illegal activity.

17 41. T3 does not require data managers or data brokers to disclose the end
18 purchasers of applications.
19

20 42. Consumers are not notified that T3 is involved with processing their
21 loan applications and cannot reasonably investigate or assess the reliability of the
22 lenders to which their applications are ultimately sold.
23

24 43. T3’s conduct is likely to cause substantial injury to consumers.

25 44. The potential benefit of obtaining a loan is not outweighed by the
26 likelihood of injury from T3’s failure to vet and monitor its purchasers.
27
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1 45. T3’s conduct constitutes an unfair act or practice under 12 U.S.C.
2 §§ 5531(c)(1), 5536(a)(1)(B).
3

4 46. Fomichev had significant responsibility for establishing T3’s policies
5 and practices, and, throughout his employment at T3, he had substantial control
6 over T3 operations.
7

8 47. Fomichev knowingly or recklessly provided substantial assistance to
9 T3, a service provider engaged in unfair acts and practices, in violation of the
10 CFPA, 12 U.S.C. § 5536(a)(3).
11

12 **Count II**
13 **Substantial Assistance in T3’s Abusive Acts and Practices**

14 48. Plaintiff realleges and incorporates by reference paragraphs 1-33 of
15 this Complaint.
16

17 49. The lenders to which T3 sells applications are “covered persons”
18 under the CFPA—they extend credit for use by consumers for personal, family, or
19 household purposes. 12 U.S.C. § 5481(15)(A)(i).
20

21 50. T3 provides a material service to covered persons in connection with
22 the offering or provision by the covered persons of a consumer financial product or
23 service. T3 is a “service provider” to covered persons under the CFPA. 12 U.S.C.
24 § 5481(26)(A).
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1 51. An act or practice is abusive if it “takes unreasonable advantage of . . .
2 a lack of understanding on the part of the consumer of the material risks, costs, or
3 conditions of the product or service.” 12 U.S.C. § 5531(d)(2)(A).
4

5 52. Contrary to representations by lead generators, consumers are likely to
6 be steered, through T3’s ping tree, to lenders offering less-favorable terms than
7 may otherwise be available to them. In particular, consumers are likely to be
8 steered to lenders that charge higher interest rates than lenders that comply with
9 state laws, that do not adhere to state usury limits, or that claim immunity from
10 state regulation and jurisdiction. Consumers also are likely to be steered to lenders
11 that offer contracts providing for the application of tribal law to the contract and
12 providing an exclusive tribal dispute-resolution process.
13
14
15

16 53. The possibility of being matched by T3 with a lender that offers less-
17 favorable terms than may otherwise be available is not disclosed to consumers by
18 lead generators or T3. Only after consumers are filtered through the T3 ping tree
19 and redirected from a lead generator’s page to a lender’s e-signature page can
20 consumers find the offered terms and links to lengthy disclosures where lenders
21 reveal material terms such as their tribal affiliation and claimed immunity.
22
23

24 54. The inaccurate statements by T3’s lead generators decrease the
25 likelihood that consumers will read the lengthy disclosures on a lender’s webpage.
26
27
28

1 55. The cost of a loan relative to what other lenders might offer, the law
2 governing a loan contract, including whether the lender complies with laws of the
3 consumer's state, and the available forum for raising disputes with the lender or in
4 which the consumer might be sued by the lender are material risks, costs, or
5 conditions.
6

7
8 56. T3 knows or should know of lead generators' representations to
9 consumers. T3 knows or should know that its process results in many, if not most,
10 applications being steered to lenders that make loans to consumers that do not
11 comport with express or implied representations made on lead-generator websites.
12

13 57. T3's conduct takes advantage of consumers' lack of understanding of
14 the material risks, costs, or conditions of the products for which they apply and
15 constitutes an abusive act or practice under 12 U.S.C. §§ 5531(d)(2)(A),
16 5536(a)(1)(B).
17

18 58. Fomichev had significant responsibility for establishing T3's policies
19 and practices, and, throughout his employment at T3, he had substantial control
20 over T3's operations.
21

22 59. Fomichev knowingly or recklessly provided substantial assistance to
23 T3, a service provider engaged in unfair acts and practices, in violation of the
24 CFPA, 12 U.S.C. § 5536(a)(3).
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1 **Prayer for Relief**

2 Wherefore, the Plaintiff requests that the Court:

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4 1. award injunctive relief as may be necessary to prevent consumer
5 injury during the pendency of this action and to preserve the possibility of effective
6 final relief;

7
8 2. permanently enjoin Defendant from committing future violations of
9 the CFPA or any provision of “Federal consumer financial law,” as defined by 12
10 U.S.C. § 5481(14);

11
12 3. grant additional injunctive relief as may be just and proper;

13 4. award damages or other monetary relief against Defendant;

14
15 5. order Defendant to pay redress to harmed consumers;

16 6. order disgorgement of ill-gotten revenues from Defendant;

17 7. impose civil money penalties against Defendant;

18
19 8. order Defendant to pay Plaintiff’s costs and fees incurred in
20 connection with prosecuting this action; and

21 9. award additional relief as the Court may determine to be just and
22 proper.

23
24 Dated: April 21, 2016

Respectfully submitted,

25 /s/ Leanne E. Hartmann
26 Leanne E. Hartmann (CA Bar #264787)