

UNITED STATES OF AMERICA
FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

PACIFIC RIM ALLIANCE CORPORATION))))	2024-MISC-Pacific Rim Alliance Corporation-0001
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**DECISION AND ORDER ON PETITION BY PACIFIC RIM ALLIANCE
CORPORATION TO SET ASIDE CIVIL INVESTIGATIVE DEMANDS**

Pacific Rim Alliance Corporation (“Pacific Rim”) has petitioned the Consumer Financial Protection Bureau (“CFPB”) for an order setting aside four civil investigative demands (“CIDs” or “2024 CIDs”) issued to Pacific Rim and three of its employees. For the reasons set forth below, the petition is **DENIED**.

I. BACKGROUND

This proceeding involves a set of four CIDs the CFPB recently issued to Pacific Rim as part of its ongoing investigation of the company’s practices and compliance with federal law. The CFPB previously issued two substantive CIDs (in 2022 and 2023) requiring Pacific Rim to provide documents, respond to interrogatories, produce written reports, and produce a corporate representative for an investigational hearing. Pacific Rim also previously petitioned to set aside the second of those CIDs, and that petition was denied on March 23, 2023.¹ The company has now responded, at least partially, to the prior CIDs, but anomalies in its responses—in particular what appear to be significant temporal gaps in its document productions—raise questions about whether those prior responses are complete and accurate.

¹ *In re Pacific Rim Alliance Corp.*, 2023-MISC-0001 (Mar. 23, 2023), available at https://files.consumerfinance.gov/f/documents/cfpb_decision-and-order-on-petition-by-pacific-rim-alliance-corp_2023-04.pdf.

On August 14, the CFPB then served Pacific Rim with four CIDs. One CID (the “Corporate CID”) requires the company to answer interrogatories, provide documents, and produce a representative to testify regarding its short-term and small-dollar lending practices. The other three CIDs (the “Individual CIDs”) seek testimony from three Pacific Rim employees: (1) the company’s director of collections and former director of operations; (2) its information technology lead; and (3) the executive assistant to the company’s CEO.

On August 26, the Office of Enforcement and Pacific Rim’s counsel met and conferred about the 2024 CIDs pursuant to 12 C.F.R. § 1080.6(c). At that meeting, Pacific Rim’s counsel for the first time stated that (1) the company would not produce a corporate representative or any of the employees named in the Individual CIDs, and (2) it would not otherwise respond to the CIDs. On September 3, 2024, Pacific Rim timely filed the instant petition to set aside the 2024 CIDs (the “Petition”).

II. LEGAL DETERMINATION

Pacific Rim argues that the 2024 CIDs should be set aside because they are overly broad and unduly burdensome. They are not, and the petition is accordingly denied.

A. The 2024 CIDs are not overbroad.

A CID is not overly broad so long as the information it seeks is “reasonably relevant” to a lawful investigation’s purpose. *See United States v. Morton Salt Co.*, 338 U.S. 632, 652 (1950). And information is “reasonably relevant” so long as it is “not plainly incompetent or irrelevant to any lawful purpose of the agency.” *FTC v. Invention Submission Corp.*, 965 F.2d 1086, 1089 (D.C. Cir. 1992).

The 2024 CIDs each have the same purposes: To determine whether short-term or small-dollar lenders (i) improperly induced borrowers to take out, renew, or refinance loan products that harmed them; (ii) misrepresented the full, long-term costs of serially rolling over,

renewing, or refinancing their loan products; or (iii) misrepresented that their loans are short-term obligations despite being structured and serviced in a manner that renders them longer-term obligations for many borrowers. The CIDs appropriately seek information that is reasonably relevant to those purposes, including testimony and other information that would verify, explain, or supplement information produced in response to prior CIDs.

1. Pacific Rim provides no basis to find that the Individual CIDs are overbroad.

Pacific Rim asserts generally that the 2024 CIDs are collectively overbroad, Pet. at 6–10, but articulates no specific objections that apply to the Individual CIDs. Those CIDs seek testimony from Pacific Rim’s director of collections operations, the executive assistant to the person serving as the company’s CEO and chief compliance officer, and the company’s information technology lead. The company does not address the Individual CIDs at all in its overbreadth arguments except to cursorily describe the role that the named individuals play at the company. Importantly, Pacific Rim nowhere asserts that those individuals lack personal knowledge of information that is relevant to the CFPB’s investigation.

Moreover, any assertion that the Individual CIDs are overbroad because the named individuals cannot give relevant testimony would be implausible. Pacific Rim’s director of collections is likely to have extensive knowledge regarding the company’s servicing and collection practices, which could shed light on whether the company improperly induced consumers to renew or refinance loans and whether the company serviced loans in a manner that renders them longer-term obligations. The executive assistant to the company’s CEO and chief compliance officer recorded notes for numerous meetings of the company’s senior leadership, and therefore could testify regarding how that leadership made corporate decisions relevant to the CFPB’s investigation. Finally, the company’s information technology lead—who Pacific Rim refers to as “an IT professional,” *id.*—has been identified in Pacific Rim’s prior

interrogatory responses as the employee most knowledgeable about databases used by the company, and is therefore familiar with the company's recordkeeping practices and systems. His testimony would therefore aid the CFPB in understanding the documents and data it has obtained about Pacific Rim's lending practices.

Accordingly, the Individual CIDs seek testimony from individuals likely to have knowledge relevant to the CFPB's investigation and, therefore, are not overbroad.

2. The Corporate CID is not overbroad.

The Corporate CID is also not overbroad. It seeks information that (a) is not duplicative of information the CFPB has already obtained in this investigation and (b) is relevant to the investigation's purpose.

The Corporate CID seeks relevant information that the CFPB does not already have.

Pacific Rim argues that the Corporate CID seeks information on topics that were "already covered" by testimony and documents provided in response to prior CIDs. Pet. at 6–8. But the fact that the CFPB already possesses some information on these topics does not suggest that additional information about them is duplicative or somehow not relevant to the CFPB's investigation. Here, Pacific Rim does not identify any specific information sought by the Corporate CID that Pacific Rim asserts is already in the CFPB's possession because of Pacific Rim's prior testimony and productions. The assertion that it does make—i.e., that it has already provided some information about the same general topics—is insufficient to establish that the Corporate CID is overbroad.

Moreover, the history Pacific Rim recounts also supports the conclusion that the Corporate CID properly seeks new information relevant to the investigation. As Pacific Rim acknowledges, the company provided testimony in 2022, and then subsequently produced additional documents in 2023. Pet. at 3. It is appropriate for the CFPB to seek additional

testimony and written responses now to better understand those documents. *See United States v. Sentara Healthcare*, 2024 WL 1023065, at *3 (W.D. Va. Mar. 8, 2024) (ordering CID recipient to produce witnesses for additional testimony where additional relevant documents were produced after witnesses first gave testimony). For instance, the Corporate CID seeks additional information about the types of loans and relevant time periods associated with particular marketing campaigns, which would assist in determining whether and which marketing campaigns reflected in documents may have “improperly induced borrowers to take out, renew, or refinance” or misrepresented relevant features of particular loan products that may have harmed consumers. Similarly, the Corporate CID also seeks additional information about employee benefits and incentives, which will help fill gaps in the CFPB’s current knowledge about whether and how the company’s employees may have been encouraged to “improperly induce[] borrowers” to enter into problematic loan transactions, including by misrepresenting such loans’ characteristics. Finally, Pacific Rim’s assertion that it has “already covered” these topics through its responses to prior CIDs, Pet. at 7, is particularly unpersuasive considering the substantial gaps in the company’s prior document productions. It is entirely appropriate for the CFPB to seek additional information through the Corporate CID to fill or explain these gaps.

The Corporate CID therefore properly seeks relevant information to supplement and verify the information that the CFPB has previously received.

The Corporate CID seeks testimony that is relevant to the investigation’s purpose. Pacific Rim also argues that the Corporate CID seeks testimony that does not “relate” to the investigation’s purposes. Pet. at 9. Specifically, Pacific Rim asserts that testimony about the company’s loan applications, origination, servicing, and collection; auditing and recordkeeping; and models for monitoring loan portfolio performance “do not relate to whether [it] ‘improperly induced borrowers’ to take out loans or ‘misrepresented’ the costs or short-term nature of loans.”

Id. Pacific Rim is mistaken. Testimony about the company’s loan origination practices (including the content of its loan applications) speaks to whether and how it may have improperly induced borrowers to take out loans, including through misrepresentations about those loan products. Similarly, testimony about its servicing and collection practices and monitoring of its loan portfolio sheds light on the nature and true costs of the loans and whether the company improperly induced consumers to renew or refinance loans.

For the same reason, testimony about how the company created and used audits and other records of its “marketing, underwriting, originating, servicing, collecting, repossession, and compliance practices,” Corporate CID Sect. II.6(a), is also relevant to the investigation. Additionally, testimony about how Pacific Rim “creates and maintains” its records regarding its “soliciting [of] loan applications or offering, underwriting, originating, servicing, collecting payment on, settling, or writing off [its] loan[s],” *id.* at Sect. II.3(a), will also assist the CFPB in determining whether the company’s responses to prior CIDs are complete and accurate (or not).

Finally, Pacific Rim also objects to the Corporate CID’s request for [REDACTED] [REDACTED] on the basis that such files might include information that pre-dates the January 2017 start of the time period that applies to most of the CID’s requests. Pet. at 8. But the [REDACTED] is plainly relevant to determining the topics about which the witness has personal knowledge and therefore can testify, and nothing requires the CFPB to limit that request to the [REDACTED] applies to other requests. Additionally, while Pacific Rim also complains that this request is made “regardless of employee privacy,” *id.*, it does not identify any particular privacy interest, nor does it explain why any such interest would make the CID’s request for [REDACTED] impermissible. The company also does not articulate any reason that the CFPB’s confidentiality regulations would not adequately protect any privacy interest. *See, e.g.*, 12 C.F.R. § 1070.2(h) (defining material obtained through a CID as

confidential investigative information); *see also id.* § 1070.40–1070.48 (restricting disclosure of confidential investigative information).

Accordingly, the Corporate CID properly seeks testimony and documents that are relevant to the investigation’s purpose.

B. Pacific Rim has not established that the 2024 CIDs impose an undue burden.

Pacific Rim asserts, but fails to establish, that the 2024 CIDs impose an undue burden. In considering burden, courts “weigh the likely relevance of the requested material to the investigation against the burden . . . of producing the material.” *Walsh v. Alight Sols., LLC*, 44 F.4th 716, 724 (7th Cir. 2022). Further, the recipient of a CID bears the burden to show that a request is unduly burdensome. *FDIC v. Garner*, 126 F.3d 1138, 1146 (9th Cir. 1997) (citing *United States v. Stuart*, 489 U.S. 353, 360 (1989)). Where, as here, “the agency’s inquiry is pursuant to a lawful purpose and the requested documents are relevant to that purpose,” courts will not “modify investigative subpoenas” on the basis of burden “unless compliance threatens to unduly disrupt or seriously hinder normal operations of a business.” *FTC v. Texaco, Inc.*, 555 F.2d 862, 882 (D.C. Cir. 1977) (en banc). Pacific Rim has not made that showing.

While Pacific Rim asserts that complying with the 2024 CIDs would “threaten to put the Company out of business altogether,” it has not substantiated that claim. Pet. at 11. It asserts that it “anticipates” that responding to the CIDs would cost approximately \$200,000 in attorneys’ fees and costs. *Id.* Even assuming the asserted estimate is reasonable despite Pacific Rim’s failure to support it with any details or evidence, it is insufficient to establish that the cost of compliance would “unduly disrupt or seriously hinder” Pacific Rim’s business because Pacific Rim provides no details or evidence to establish how its estimated attorneys’ fees and costs compare to its financial condition. While Pacific Rim states that it “qualifie[s] as a Small Business” and has experienced some “reduction” in its staff, revenue, and brick-and-mortar

footprint, Pet. at 5, 11, it does not say what its revenue is at this time, nor does it provide any other details about its current financial condition (or explain how its staff size or physical footprint reflect its financial circumstances). It has therefore failed to adequately support its assertion that it cannot afford to comply with the 2024 CIDs. Accordingly, it has not established that the 2024 CIDs are unduly burdensome. *See Garner*, 126 F.3d at 1143 (“[T]he subpoena should be enforced unless the party being investigated *proves* the inquiry is unreasonable because it is overly broad or unduly burdensome.” (emphasis added)).

III. CONCLUSION

For the foregoing reasons, the petition to set aside the four CIDs issued on August 14, 2024, is **DENIED**. Pacific Rim is directed to comply with each of the four CIDs within thirty days from the date this Order is served by email on counsel for Pacific Rim. Pacific Rim is welcome to engage in discussions with the Office of Enforcement regarding potential modifications to this timeline, which the Enforcement Director or Deputy Enforcement Director may exercise their discretion to adopt to the extent they deem appropriate.

IT IS SO ORDERED.

Dated: November 13, 2024

Rohit Chopra

Rohit Chopra
Director