

Enforcement Alert from Hudson Cook, LLP: CFPB Sues Online Lender for Alleged Military Lending Act and UDAAP Violations

October 2, 2022 | [Lucy E. Morris](#)

HIGHLIGHTS:

- The lawsuit alleges that the lender charged more than the allowed 36% rate cap under the Military Lending Act on loans to servicemembers and their dependents, through interest rates and monthly membership fees.
- In the CFPB's press release announcing the case, Director Chopra charged that the lender "targeted military families by extracting fees and making it difficult to cancel monthly subscriptions."
- This case is another example of the CFPB's willingness to litigate, rather than settle, to seek its desired results.

CASE SUMMARY:

The complaint, filed in the U.S. District Court for the Southern District of New York, alleges that the fintech company violated the MLA when it imposed membership fees on borrowers which, when combined with loan-interest-rate charges, exceeded the MLA's annual percentage rate cap. Further, the Bureau alleges that the company violated the MLA by inserting an illegal arbitration provision in the contracts and by failing to make the requisite disclosures to borrowers. The complaint also alleges that the company deceived consumers by misrepresenting that borrowers owed loan payments and fees that were not actually owed because the alleged MLA violations made the loans void from inception.

Regarding the membership fees, the Bureau alleges that the company engaged in unfair, deceptive, and abusive acts and practices because it did not permit borrowers to exit the membership program and stop monthly membership fees. The Bureau claims this misrepresented the borrowers' right to cancel the memberships for any reason because the restriction on cancellation was not clearly disclosed when borrowers took out loans. The Bureau alleges that this practice was also unfair and abusive. The complaint seeks redress for consumers, injunctive relief, and a civil money penalty. The complaint is not a final finding or ruling that the company violated the law.

Resources:

You can review all of the relevant court filings and press releases [here](#).

- [Complaint](#)
- [CFPB Press Release](#)

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