

CFPB enters into consent order with small-dollar lender to settle alleged TILA and UDAAP violations arising from finance charge disclosure on auto title pledges

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The CFPB announced last week that [it has entered into a consent order](#) with Triton Management Group, Inc., a small-dollar lender, to settle the CFPB's allegations that Triton had violated the Truth in Lending Act and the CFPA's UDAAP prohibition by underdisclosing the finance charge on auto title pledges entered into with Mississippi consumers.

According to the consent order, Mississippi law requires auto title pledges to be structured as a single payment transaction with a 30-day maturity but permits the parties to agree in writing to subsequent 30-day extensions if the lender reduces the principal amount used to calculate interest by at least ten percent of the original amount at each 30-day extension. The consent order states that, at the same time Triton had consumers sign its auto pledge agreement that disclosed the finance charge for the 30-day single payment transaction, it had consumers sign a 10-month amortizing payment schedule providing for 10 equal payments. The finance charge for a 30-day single payment was shown at the top of the payment schedule below which appeared four columns showing the "Payment Amount," "Required Principal," "Principal," and "Due Date." (The "Required Principal" was the amount of each payment applied to principal.) None of the documents signed by consumers disclosed the amount of the finance charge based on the 10-month schedule.

TILA disclosures must reflect "the terms of the legal obligation between the parties." The CFPB finds in the consent order that the 10-month payment schedule represented the legal obligation between the parties and, accordingly, the disclosure of a smaller finance charge based on a 30-day bullet loan violated TILA. This is essentially the same issue raised by the FTC's lawsuit against AMG Enterprises.

The CFPB also found that the Triton's failure to disclose the higher finance charge was a deceptive practice in violation of the CFPA's UDAAP prohibition because "consumers acting reasonably likely would not understand that the finance charge disclosed in the loan agreement does not actually correspond to the loan payment terms."

The consent order also resolved the CFPB's claim that Triton's in-store advertisements violated TILA advertising requirements because they disclosed the payment amount "for certain payday and auto title pledges" but failed to disclose the annual percentage rate. Regulation Z requires that if certain "trigger terms" are stated in an advertisement, the advertisement must also state certain additional terms which include the APR. Among such "trigger terms" is the "amount of any payment."

The consent order enters a judgment of \$1,522,298 against Triton, which represents "the total interest payments made directly or indirectly by Affected Consumers to [Triton] that exceed the amount of finance charge stated in the required TILA disclosure box in the Mississippi auto title pledge agreements those consumers received." ("Affected Consumers" are defined as all Mississippi consumers who, during a period of approximately 29 months, received an auto title pledge containing a 10-month payment schedule with a finance charge reflecting only a 30-day single payment transaction or "a similarly inaccurate finance charge.") Based on Triton's financial condition, the consent order suspends full payment of the judgment subject to Triton's payment of \$500,000 to Affected



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Consumers. If Triton's financial disclosures prove to be accurate, it will "only" need to pay the \$500,000 (plus a \$1 fine).

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