



Consumer Financial
Protection Bureau

OCT 1 2015

CFPB Orders Indirect Auto Finance Company to Provide Consumers \$44.1 Million in Relief for Illegal Debt Collection Tactics

Westlake Services and Wilshire Consumer Credit Pressured Borrowers with Illegal Threats and Phony Caller IDs

WASHINGTON, D.C. — Today the Consumer Financial Protection Bureau (CFPB) announced an enforcement action against an indirect auto finance company and its auto title lending subsidiary for pressuring borrowers using illegal debt collection tactics. The CFPB found that Westlake Services, LLC and Wilshire Consumer Credit, LLC deceived consumers by calling under false pretenses and using phony caller ID information, falsely threatened to refer borrowers for investigation or criminal prosecution, and illegally disclosed information about debts to borrowers' employers, friends, and family. The Bureau ordered the companies to overhaul their debt collection practices and to provide consumers \$44.1 million in cash relief and balance reductions. The companies will also pay a civil penalty of \$4.25 million.

“There’s no excuse for lying to your customers, and today’s action will provide millions of dollars in relief for borrowers caught up in Westlake and Wilshire’s deception,” said CFPB Director Richard Cordray. “Consumers struggling to pay their bills deserve to be treated with respect, not subjected to illegal threats and deceptive phone calls. We will

continue to clean up the debt collection market and root out these illegal and inexcusable practices.”

Westlake Services, LLC is an indirect auto finance company based in Los Angeles that specializes in purchasing and servicing auto loans, including many subprime and near-subprime loans. Subprime loans are made to borrowers with generally lower credit scores. Westlake purchases loans from auto dealers nationwide. Wilshire Consumer Credit, LLC, a wholly owned subsidiary of Westlake, offers auto title loans directly to consumers, largely via the Internet, and services those loans. Wilshire also purchases and services auto title loans made by others.

The CFPB found that Westlake and Wilshire deceived borrowers into thinking they were being called by repossession companies, other third parties, or even the borrowers’ own family and friends. The CFPB’s investigation found that the companies’ debt collectors used a web-based service, Skip Tracy, to place outgoing calls and choose the phone number and caller ID text that the call recipient would see. Since January 2010, Westlake and Wilshire debt collectors have used Skip Tracy to place or receive calls associated with over 137,000 loan accounts.

The Bureau also found that the companies unlawfully disclosed information about borrowers’ debts to employers, family, and friends. The companies also failed to disclose the annual percentage rate on certain loans as required by law. In some cases, the companies changed the due dates or extended the terms of loans without borrowers’ permission, causing more interest to accrue, while telling consumers that the extensions would have a positive effect. These practices violated the Fair Debt Collection Practices Act, the Truth in Lending Act, and the Dodd-Frank Wall Street Reform and Consumer Financial Protection Act.

Illegal Debt Collection Tactics

Westlake and Wilshire used a variety of deceptive or unfair tactics in contacting borrowers about their loans. Specifically, the CFPB found that the companies:

- **Pretended to call from repo companies:** Westlake and Wilshire altered caller ID information for outgoing calls to make it appear the calls were coming from other companies, including repossession companies. The companies’ debt collectors would then pretend during the call that they were calling from

repossession companies and make explicit or implicit threats that the borrowers' vehicles were in imminent danger of being repossessed. When Westlake and Wilshire indicated to borrowers that a third-party repossession company was calling to collect on the debt, the companies became "debt collectors" within the meaning of the Fair Debt Collection Practices Act.

- **Faked calls from pizza delivery services, flower shops, or family and friends:** Westlake and Wilshire also altered caller ID information so that it looked like they were calling from unrelated businesses. On these calls the companies' debt collectors would usually keep up the ruse – for instance, if the caller ID was altered to say "Flower Shop," the debt collector would pose as an employee of a flower shop in order to trick the consumer into disclosing his location or the location of his vehicle. Westlake and Wilshire also altered caller ID information so that it looked like borrowers were receiving calls from family members and friends when the calls were actually placed by the companies' debt collectors.
- **Falsely threatened to refer borrowers for investigation or criminal prosecution:** From at least January 2010 until at least April 2014, Westlake and Wilshire used Skip Tracy to make it appear as though they were calling from investigation or enforcement divisions. The companies explicitly and implicitly threatened to file criminal charges against consumers even when they had not decided to refer the borrowers to criminal authorities. These tactics likely misled consumers into believing they needed to make a payment urgently to avoid an investigation.
- **Tricked borrowers whose vehicles had been repossessed:** From at least January 2010 until at least April 2014, Westlake and Wilshire called consumers whose vehicles had already been repossessed and used Skip Tracy to make it appear the calls were coming from a party associated with the word "Storage." During some of these calls, the companies' debt collectors implied that the vehicles would be released if the borrowers made a partial payment on the account; however, the companies would actually only release a repossessed vehicle after a borrower paid the full amount due. As a consequence, some borrowers paid the amount agreed upon during the phone call, but their vehicles were not released.

- **Called consumers’ employers, friends, and family members without permission:** From at least January 2010 until at least April 2014, Westlake and Wilshire called consumers’ references, employers, friends, and family members and disclosed information about their loans without the consumers’ permission. The companies’ tactics included inserting words like “Repo” or “General Investigations” into the caller ID, calling third parties, and mentioning the consumers’ names. During other calls, the companies also made statements implying that consumers were delinquent on loans or facing repossession, investigation, or criminal charges.
- **Paid a repo company to make collections calls to consumers:** Westlake and Wilshire paid a third-party repossession company to make debt collection calls to borrowers, even when the companies had not decided to repossess the consumers’ vehicles or the companies had no reason to believe repossession was imminent. This tactic likely misled consumers into believing that they needed to make a payment urgently to avoid repossession.

Other Illegal Practices

Westlake and Wilshire also violated federal consumer financial laws in their advertising, customer relations, and account servicing practices. Specifically, the CFPB found that the companies:

- **Deceived borrowers about the effects of due date changes or extensions to loan terms:** From at least January 2010 until at least September 2011, some Westlake collectors changed the due dates on accounts or extended loan terms without consulting consumers, or even speaking with them. The collectors would later tell the borrowers that the modified schedules would have a positive effect for them, though in fact the changes would cause the borrowers to owe additional interest over the course of the loans.
- **Hid the true cost of credit:** Wilshire gave consumers incomplete information about the true cost of the loans it offered. Specifically, the CFPB found that Wilshire used monthly interest rates or other interest rates in advertisements for auto title loans in 2012 and 2013, without disclosing the loans’ annual percentage rate as required by law. Wilshire also prominently advertised monthly rates on

one of its websites and only disclosed the annual percentage rate in small text lower on the page. And in 2014, Wilshire representatives speaking with prospective borrowers on the phone would answer questions about the cost of loans by providing monthly rates or other rates instead of the annual percentage rate.

Enforcement Action

Pursuant to the Dodd-Frank Act, the CFPB has the authority to take action against institutions or individuals engaging in unfair, deceptive, or abusive acts or practices or that otherwise violate federal consumer financial laws. Under the terms of the CFPB order released today, Westlake and Wilshire are required to:

- **Provide approximately \$44.1 million in redress to victims:** The companies are ordered to pay approximately \$25.8 million in cash and to provide the remainder in balance reductions. Consumers are not required to take any action to receive their check or balance reduction. The companies will contact consumers directly in the coming months.
- **End deceptive debt collection practices:** The companies must comply with the Fair Debt Collection Practices Act, the Truth in Lending Act, and the relevant sections of the Dodd-Frank Act. Specifically, among other things, the order prohibits Westlake and Wilshire from misleading consumers into believing that their debt collectors are associated with any other company or department, or that they are about to repossess consumers' vehicles. They are also prohibited from falsely threatening to refer consumers for investigation or criminal prosecution, and from implying that they will return a repossessed vehicle if the consumer makes a partial payment.
- **Protect consumers' private information:** The companies are ordered to stop illegally disclosing borrowers' loan information to third parties. They must also stop threatening to disclose such information when doing so would be unlawful.
- **End unlawful advertisements:** The companies must evaluate all of their advertisements for compliance with the Truth in Lending Act before publication.

- **Give consumers truthful information about their loans:** Westlake and Wilshire must not change the due dates on consumers' loans or extend consumers' loans without explaining to consumers the effects of those modifications and obtaining consumers' informed consent to the changes.
- **Pay a \$4.25 million civil penalty:** Westlake and Wilshire will make a \$4.25 million penalty payment to the CFPB's Civil Penalty Fund.

The full text of the CFPB's Consent Order is available

at:http://files.consumerfinance.gov/f/201509_cfpb_consent-order-westlake-services-llc.pdf

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