

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
Alexandria Division

Consumer Financial Protection Bureau and
Commonwealth of Virginia, *ex. rel.* Mark R.
Herring, Attorney General,

Plaintiffs,

v.

Woodbridge Coins and Jewelry Exchange,
Inc. d/b/a Woodbridge Gold & Pawn,

Defendant.

CIVIL ACTION NO. _____

COMPLAINT

The Consumer Financial Protection Bureau (Bureau) and the Commonwealth of Virginia (Commonwealth) (together, Plaintiffs) allege the following against Woodbridge Coins and Jewelry Exchange, Inc. d/b/a Woodbridge Gold & Pawn (Woodbridge).

Introduction

1. The Bureau brings this action under § 1054 of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. § 5564, and § 108 of the Truth in Lending Act (TILA), 15 U.S.C. § 1607(a)(6), based on Woodbridge's failure to disclose an accurate finance charge and annual-percentage rate on closed-end pawn contracts, in violation of TILA, 15 U.S.C. § 1601, *et seq.*, and its implementing regulation, Regulation Z, 12 C.F.R. part 1026, and § 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(A). The Commonwealth brings this action pursuant to the authority set forth in Virginia Code § 59.1-203, which provides, *inter alia*, that the Attorney General may bring an action to enjoin any violation of the Virginia Consumer Protection Act

(VCPA), Virginia Code § 59.1-196, *et seq.*, which includes any violation of the statutes applicable to pawnbrokers, Virginia Code § 54.1-4000, *et seq.*, in accordance with §§ 54.1-4014(B) and 59.1-200(A)(33).

Jurisdiction and Venue

2. This Court has subject-matter jurisdiction over this action because it is brought under “Federal consumer financial law,” 12 U.S.C. § 5565(a)(1), presents a federal question, 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C. § 1345. This Court has supplemental jurisdiction over the Commonwealth’s state law claims because they are so related to the federal claims that they form part of the same case or controversy. 28 U.S.C. § 1367(a).

3. Venue is proper in this district because Woodbridge is located, resides, and does business here. 28 U.S.C. § 1391(b)-(d); 12 U.S.C. § 5564(f).

4. Prior to the commencement of this action, the Commonwealth gave Woodbridge written notice these proceedings were contemplated and a reasonable opportunity to appear before the Office of the Attorney General to demonstrate that no violations of the VCPA or other statutes referenced above had occurred, or, in the alternative, to execute an appropriate Assurance of Voluntary Compliance (“Assurance”), pursuant to Virginia Code § 59.1-203(B). Woodbridge thereafter failed to establish that no violations of the VCPA had occurred, but agreed to execute an acceptable Stipulated Final Judgment and Order in lieu of an Assurance of Voluntary Compliance.

Parties

5. The Bureau is an agency of the United States created by the CFPB and charged with regulating the offering and providing of consumer-financial products and services under

federal consumer-financial laws. 12 U.S.C. § 5491(a). It has independent litigating authority, including the authority to enforce the regulations promulgated under TILA. 15 U.S.C. § 1607. *See* 12 U.S.C. § 5564(a)-(b); *see also* 12 U.S.C. § 5481(12)(O), (14) (defining “Federal consumer financial law” to include TILA).

6. The Commonwealth is represented by and through Mark R. Herring, Attorney General of Virginia.

7. Woodbridge is a Virginia corporation with its principal place of business in Woodbridge, Virginia. Woodbridge operates as a pawnbroker, issuing closed-end loans secured by personal property for consumers’ personal, family, or household purposes. Woodbridge offers or provides a consumer-financial product or service under the CFPA, 12 U.S.C. §§ 5481(5)(A), (15)(A)(i), and is thus a “covered person” under the CFPA, 12 U.S.C. § 5481(6)(A).

Facts

8. From 1993 through the present, Woodbridge has operated as a pawnbroker out of its store located at 13572 Jefferson Davis Highway, Woodbridge, Virginia, 22191. Woodbridge issues closed-end loans and takes possession of consumers’ personal property as security for the loans.

9. In connection with each loan, Woodbridge charges four fees: “maintenance,” “interest,” “storage,” and “clerical.” All four fees are incident to the extension of credit.

10. Since at least May 6, 2014, Woodbridge’s loan contracts have disclosed the following terms with associated values in prominent boxes under the heading “Truth in Lending”: “maturity date,” “amount financed,” “finance charge,” “total of payments,” “annual percentage rate,” and “payment schedule.”

11. Since at least May 6, 2014, Woodbridge's loan contracts have disclosed a "Breakdown/Explanation of Finance Charges" that includes a box for each of the four fees charged—maintenance, interest, storage, and clerical—as well as a total "finance charge."

12. Since at least May 6, 2014, the total "finance charge" disclosed by Woodbridge on most of its contracts did not equal the sum of the four fees disclosed as the "Breakdown/Explanation of Finance Charge."

13. The value of the finance charge is material to a consumer's decision to obtain a pawn loan from Woodbridge, and the discrepancy between the total of the finance charge and the sum of its parts is likely to mislead consumers.

14. Since at least May 6, 2014, Woodbridge disclosed an incorrect "annual-percentage rate," or APR, on nearly all of its contracts, generally understating the accurate APR.

15. The inaccurate APRs on Woodbridge's contracts underrepresented the true cost of the loans made to thousands of consumers.

16. On a pawn loan it made on April 21, 2015, Woodbridge Pawn imposed a monthly finance charge of \$20 on a loan of \$100. A copy of the pawn ticket Woodbridge Pawn issued on this loan is attached as Exhibit A.

17. The finance charges of \$20 that Woodbridge Pawn imposed on the loan described in paragraph 16 above included: monthly interest at the rate of seven-percent (7%) totaling \$7, a monthly storage fee at the rate of five-percent (5%) totaling \$5, a \$5 monthly clerical fee, and a three-percent (3%) monthly maintenance/electronic-reporting fee totaling \$3.

18. During the period from at least March 27, 2015, through March 26, 2016 (the "Relevant Period"), Woodbridge Pawn charged monthly maintenance/electronic-reporting fees of 3% on all of its loans, including loans greater than \$100.

19. During the Relevant Period, Woodbridge charged a monthly “clerical fee” on all of its loans that varied in amount with the size of the loan. For example, on loans of \$100, it charged a “clerical fee” of \$5; on loans of \$300, it charged a “clerical fee” of \$11; on loans of \$500, it charged a “clerical fee” of \$20; and, on loans of \$800, it charged a “clerical fee” of \$32.

Count One
Violations of TILA
Asserted by the Bureau

20. The Bureau realleges and incorporates by reference paragraphs 1-19.

21. TILA and Regulation Z require that certain material disclosures be provided to a consumer before consummation of a loan contract. 15 U.S.C. § 1638(a)-(b); 12 C.F.R. §§ 1026.17(a)-(b), 1026.18.

22. Among the required material disclosures in a closed-end credit transaction are the finance charge and APR. 15 U.S.C. §§ 1602(v), 1638(a)(3)-(4); 12 C.F.R. § 1026.18(d)-(e).

23. The finance charge is generally “the sum of all charges, payable directly or indirectly by the person to whom the credit is extended, and imposed directly or indirectly by the creditor as an incident to the extension of credit.” 15 U.S.C. § 1605(a).

24. Regulation Z requires that a contract for closed-end credit disclose the finance charge, “using that term, with a brief description such as ‘the dollar amount the credit will cost you.’” 12 C.F.R. § 1026.18(d).

25. The APR is “a measure of the cost of credit, expressed as a yearly rate.” 12 C.F.R. § 1026.22(a)(1); *see also* 15 U.S.C. § 1606(a).

26. Regulation Z requires that a contract for closed-end credit disclose the APR, “using that term, with a brief description such as ‘the cost of your credit as a yearly rate.’” 12 C.F.R. § 1026.18(e).

27. The “maintenance,” “interest,” “storage,” and “clerical” fees charged by Woodbridge are all incident to the extension of credit and part of the finance charge required to be disclosed to consumers and included in calculation of the APR disclosed to consumers. 15 U.S.C. §§ 1605(a), 1606(a), 1638(a)-(b); 12 C.F.R. §§ 1026.4(a), 1026.18, 1026.22; 12 C.F.R. pt. 1026, Supp. I (Comment 17(c)(1)-18).

28. In the course of extending closed-end credit, Woodbridge used credit agreements that inaccurately disclosed the finance charge and APR, information required by TILA and Regulation Z. 15 U.S.C. §§ 1605(a), 1606(a), 1638(a)-(b); 12 C.F.R. § 1026.18(d)-(e); 12 C.F.R. § 1026.22.

29. Woodbridge therefore violated TILA and Regulation Z. 15 U.S.C. §§ 1605(a), 1606(a), 1638(a)-(b); 12 C.F.R. § 1026.18(d)-(e); 12 C.F.R. § 1026.22.

Count Two
Violations of the CFPA
Asserted by the Bureau

30. The Bureau realleges and incorporates by reference paragraphs 1-19.

31. Woodbridge’s violations of TILA and Regulation Z, alleged in Count One, constitute violations of the CFPA. 12 U.S.C. § 5536(a)(1)(A).

Count Three
Violations of Virginia Code §§ 54.1-4008, 54.1-4009(C) and 54.1-4014(B)
Asserted by the Commonwealth

32. The Commonwealth realleges and incorporates by reference paragraphs 1-19.

33. Virginia Code § 54.1-4000 defines “pawnbroker” as follows:

“Pawnbroker” means any person who lends or advances money or other things for profit on the pledge and possession of tangible personal property, or other valuable things, other than securities or written or printed evidences of indebtedness or title, or who deals in the purchasing of personal property or other valuable things on condition of selling the same back to the seller at a stipulated price.

34. Section 54.1-4008(A) of the Virginia pawnbroker statutes provides that pawnbrokers may not demand interest greater than ten-percent (10%) per month on a loan of \$25 or less, seven-percent (7%) per month on a loan of more than \$25 and less than \$100, or five-percent (5%) per month on a loan of \$100 or more.

35. Section 54.1-4009(C) of the Virginia pawnbroker statutes provides that pawnbrokers may charge service fees that “shall not exceed five percent [5%] of the amount loaned on such item or paid by the pawnbroker for such item or \$3, whichever is less” for each loan or transaction for making daily electronic reports to the appropriate law-enforcement officers in compliance with § 54.1-4010, for creating and maintaining the required electronic records, and for investigating legal title to property being pawned, pledged, or purchased.

36. Section 54.1-4013(B) of the Virginia pawnbroker statutes provides that pawnbrokers may charge a monthly storage fee of no greater than five-percent (5%) of the amount loaned on an item requiring storage.

37. Aside from the interest and fees described in §§ 54.1-4008(A), 54.1-4013(B) and 54.1-4009(C), and the lost ticket fee of \$5 permitted by § 54.1-4004, the Virginia pawnbroker statutes do not authorize pawnbrokers to impose any other fees in connection with their loans.

38. On a one-month pawn loan of \$100, the following interest and fees are permitted: (a) interest in the amount of \$5; (b) a storage fee in the amount of \$5; and (c) a service/electronic reporting fee in the amount of \$3. The total permitted monthly finance charges of \$13 provide for an APR of 156%.

39. The seven-percent (\$7) monthly interest charge that Woodbridge imposed on the \$100 loan referenced in paragraphs 16 and 17 above exceeds the five-percent monthly interest

permitted for a loan of this amount pursuant to § 54.1-4008(A). This resulted in the affected consumer being overcharged \$2.

40. The five-percent (\$5) monthly storage fee that Woodbridge imposed on the \$100 loan referenced in paragraphs 16 and 17 is consistent with the fees permitted by § 54.1-4013(B).

41. The three-percent (\$3) maintenance/electronic reporting fee that Woodbridge imposed on the \$100 loan referenced in paragraphs 16 and 17 is consistent with the fees permitted by § 54.1-4009(C). However, as described in paragraph 18 above, Woodbridge imposed a similar 3% maintenance/electronic reporting fee on all loans it made for amounts greater than \$100. For example, on loans of \$200 during the Relevant Period, Woodbridge imposed electronic reporting fees of \$6, which amount results in a \$3 overcharge. On loans of \$300, Woodbridge imposed an electronic reporting fee of \$9, which amount results in an overcharge of \$6. All electronic reporting fees of greater than \$3 that Woodbridge charged on loans of greater than \$100 constitute overcharges.

42. The \$5 “clerical fee” that Woodbridge imposed on the \$100 loan referenced in paragraphs 16 and 17 is an excessive fee that is not specifically authorized by §§ 54.1-4004, 54.1-4008(A), 54.1-4009(C) or 54.1-4013(B). Accordingly, this charge constitutes disguised interest in violation of § 54.1-4008(A) and 54.1-4014(B) of the pawnbroker statutes. This resulted in the affected consumer being overcharged \$5.

43. As described in paragraph 19 above, Woodbridge imposed this illegal “clerical fee” on all of its pawn loans during the Relevant Period in varying amounts depending on the size of the loan. These charges resulted in overcharges for each affected consumer in the total amount of the clerical fee.

Count Four
Violations of the Virginia Consumer Protection Act
Asserted by the Commonwealth

44. The Commonwealth realleges and incorporates by reference paragraphs 1-19 and 32-43.

45. Woodbridge is now, and was at all relevant times mentioned herein, a “supplier” of “goods” or “services,” and engaged in “consumer transactions,” as those terms are defined in § 59.1-198 of the VCPA, by advertising, offering, and providing pawn loans to consumers.

46. Pursuant to § 59.1-200(A)(33), each of Woodbridge’s violations of §§ 54.1-4008(A), 54.1-4009(C), and 54.1-4014(B) of the pawnbroker statutes also constitutes a violation of the VCPA.

47. The VCPA authorizes the Attorney General to seek, among other relief, restitution (§ 59.1-205) for any amounts that might have been acquired from persons by means of a violation of § 59.1-200, civil penalties of not more than \$2,500 per violation (§ 59.1-206), investigative costs and reasonable expenses not to exceed \$1,000 per violation, and attorneys’ fees (§ 59.1-206).

48. Woodbridge willfully committed the violations of §§ 54.1-4008(A), 54.1-4009(C), 54.1-4014(B), and 59.1-200(A)(33).

49. Individual consumers have suffered monetary damages as a result of the aforesaid violations by Woodbridge.

Demand for Relief

Wherefore, Plaintiffs request that the Court:

1. enjoin Woodbridge from committing future violations of TILA, the CFPA, and §§ 54.1-4008(A), 54.1-4009(C), 54.1-4014(B), and 59.1-200(A)(33) of the Code of Virginia;

2. award restitution;
3. award damages or other monetary relief;
4. order disgorgement of ill-gotten gains;
5. award a civil-money penalty;
6. award costs, reasonable expenses, and attorneys' fees; and
7. award additional relief as the Court may determine to be just and proper.

Dated: February 2, 2017

Respectfully submitted,

CONSUMER FINANCIAL PROTECTION
BUREAU

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Ex. Rel. Mark R. Herring, Attorney General

Exhibit A

WOODBIDGE GOLD & PAWN

13572 JEFFERSON DAVIS HWY
WOODBIDGE, VA 22191

30 Day Pawn

145464

(703) 491-3333

Date Made: 04/21/2015

Time Made: 05:27:46 PM

Pledgor:

ID:

Address:

Phone:

DESCRIPTION OF PLEDGED GOODS

1) [REDACTED]

TRUTH IN LENDING

MATURITY DATE	05/21/2015
AMOUNT FINANCED <small>The amount of cash advanced or credit extended to you.</small>	\$ 100.00
FINANCE CHARGE <small>The dollar amount the credit will cost you.</small>	20.00
TOTAL OF PAYMENTS <small>Amount required to redeem pawn on date due.</small>	120.00
ANNUAL PERCENTAGE RATE <small>The cost of your credit as a yearly rate.</small>	206.83%
PAYMENT SCHEDULE: 1 @	120.00
<small>If you pay off your loan early, you will not be entitled to a refund of part of the finance charges.</small>	

Amount To Extend Pawn For 30 Days

Breakdown/Explanation of Finance Charges				
Maint.	Interest	Storage	Clerical	Finance Charge
3.00	7.00	5.00	5.00	20.00

You are giving us a security interest in the described goods

Privacy Statement

We the Lender respect your privacy by keeping the information you share with us secure. At no time do we disclose any non-public personal information about you, the customer, to any third party except as mandated by law.

TERMS AND CONDITIONS. Your signature below constitutes acceptance.

1. LIMITATION OF LIABILITY: Woodbridge Gold & Pawn assumes NO responsibility for the loss, theft or damage of pawned items. 2. The pawn ticket must accompany all remittances. The pawned property may be delivered to any person presenting this ticket. (EXCEPT FIREARMS) 3. All pawns are for 30 days. 4. All lost tickets - \$3.00. 5. Without original pawn ticket (no copies allowed), only the original pawner may redeem with proper identification. Woodbridge Gold & Pawn employees will NOT discuss ticket information with ANYONE other than the individual listed as Pledger UNLESS the proper information is provided to us by the individual making inquiry. This is to protect the Pledgor's privacy.
LATE TICKETS ARE SUBJECT TO A \$5.00 LATE FEE (1 day past grace period will incur another month's fee.)
I, THE PLEDGOR, REPRESENT AND WARRANT THAT THE PLEDGED PROPERTY IS NOT STOLEN OR LEASED AND THAT THERE ARE NO LIENS OR ENCUMBRANCES AGAINST THE PROPERTY. I ALSO ATTEST TO BE THE RIGHTFUL OWNER OF THE PLEDGE PROPERTY, AND THAT I HAVE THE RIGHT TO PLEDGE THE PROPERTY.
** Re: CELL PHONES & iPads: I also attest that the cell smart phone is my property, NOT REPORTED LOST OR STOLEN TO APPLE INC. OR SERVICE PROVIDER nor will it be reported as such to aforementioned once item is pawned, sold or forfeited to Woodbridge Gold & Pawn.

Initials

Merchandise not redeemed or renewed by 05/26/2015 will be forfeited CASH ONLY for all nick-ins

By signing, I am stating that I agree to all terms and conditions and acknowledge receipt of a copy of this agreement. I also state, under penalty of perjury, I have read the foregoing document, and the facts stated in it are true.

X [REDACTED] 04/21/2015
PLEDGOR'S SIGNATURE

X [REDACTED]
Buyer

Hours Mon-Fri. 10:00 AM to 7:00 PM
Sat. 9:30 AM to 6:00 PM
Major Credit Cards Accepted for Sales Only.