



## AG COOPER FILES SUIT AGAINST WESTERN SKY, CASHCALL

Release date: 12/16/2013

### ***Online fast cash lender charges high interest rates, claims tribal affiliation to skirt law***

**Raleigh:** An out-of-state online lender that charged North Carolina consumers interest rates of up to 342 percent must stop offering its illegal loans here and pay refunds, Attorney General Roy Cooper said Monday.

"Borrowers trapped in these oppressive loans can make payment after payment but never get ahead," Cooper said. "This type of loan is illegal in North Carolina for good reason, and we're cracking down on lenders that try to get around our ban."

Cooper and the North Carolina Office of the Commissioner of Banks [filed suit today](#) against Western Sky Financial, CashCall, related companies and their owner John Paul Reddam for violating North Carolina laws that ban outrageous interest rates on small consumer loans.

As alleged in the complaint, financially strapped North Carolina consumers who took out personal loans of \$850 to \$10,000 from the defendants faced annual interest rates from 89.68 percent to 342.86 percent, far in excess of what is allowed under state law. The lawsuit asks the court to cancel the illegal loans, order refunds for consumers, and ban the defendants from collecting on the loans and making any future illegal loans to North Carolina consumers.

According to the complaint, Western Sky has promoted loans to North Carolina consumers online and through television advertising since 2010. Consumers apply for the loans online or by telephone and once approved, receive funds through direct deposit to their bank accounts. The loan agreements require borrowers to pay back the loans in monthly installments over 12 to 84 months.

Western Sky, based in South Dakota, says it is exempt from state laws that ban its loans in North Carolina because it claims to be an Indian tribal entity. But Cooper contends that Western Sky is really a for-profit company owned by an individual who happens to be a member of an Indian tribe, and is not owned or operated by any tribe or for its benefit. Cooper also contends that CashCall, of California, used Western Sky as a front to try to get around state laws and that CashCall is the actual lender that controls virtually all aspects of the loans, including advertising, application review, funding and collections.

Approximately 100 North Carolina consumers have filed complaints with Cooper's Consumer Protection Division or the Commissioner of Banks' Office about the defendants' loans. Many of these consumers complained that they made loan payments for months only to learn that nearly all of their payments had gone toward interest and very little toward paying off the principal. For example, one Greensboro woman who took out a loan of \$2,600 made monthly payments totaling more than \$4,000 over 14 months only to discover that she still owed more than \$2,500 on the principal balance. A Garner man made payments of \$1,677.55 on a