



J.B. VAN HOLLEN
ATTORNEY GENERAL

JOINT NEWS RELEASE

THE DEPARTMENT OF FINANCIAL INSTITUTIONS (DFI) AND THE DEPARTMENT OF JUSTICE (DOJ), ALONG WITH THE LEGAL AID SOCIETY OF MILWAUKEE, INC., REACH A PRELIMINARY MULTI-MILLION-DOLLAR SETTLEMENT WITH WISCONSIN AUTO TITLE LOANS, INC.

CLASS ACTION LAWSUIT ALLEGED AUTO TITLE LOAN COMPANY VIOLATED THE WISCONSIN CONSUMER ACT AS WELL AS MADE FALSE AND MISLEADING STATEMENTS IN CONNECTION WITH THE SALE OF MOTOR CLUB SERVICE CONTRACTS

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MADISON — The Wisconsin Department of Justice and the Wisconsin Department of Financial Institutions, along with the Legal Aid Society of Milwaukee, Inc. have reached a preliminary settlement in a lawsuit against an auto title loan company, Wisconsin Auto Title Loans, Inc. The lawsuit alleges, among other things, that Wisconsin Auto Title Loans engaged in false, misleading, deceptive and unconscionable conduct in the course of selling “motor club” service contracts in connection with the sale of auto title loans.

Auto title loans are high-interest loans secured by motor vehicle titles. According to the State’s amended complaint, Wisconsin Auto Title Loans operates 22 locations in Wisconsin that market and sell auto title loans with annual percentage rates of 300% or more.

The State's amended complaint alleged that Wisconsin Auto Title Loan's sale of Continental Car Club ("CCC"), in connection with the sale of auto title loans, was deceptive and unconscionable. CCC is promoted as a "motor club." Although the product is supposed to be optional, consumers reported being unaware they purchased the product or being told that the product was a mandatory purchase along with their title loan. In most instances, the additional cost of CCC was rolled into the total amount of the loan and became subject to the high interest rate attached to the loan.

The action began as a private class action lawsuit filed by the Legal Aid Society of Milwaukee, which was named Class Counsel in this litigation. The State of Wisconsin subsequently joined the lawsuit by filing an amended complaint seeking restitution for consumers, penalties and other relief under the Wisconsin Consumer Act and other state consumer protection laws.

On September 6, 2013, the Honorable Michael D. Goulee of the Milwaukee County Circuit Court entered an order preliminarily approving the Settlement Agreement ("Agreement"). The Agreement requires a cash payment of \$2.75 million for restitution to affected consumers, attorneys' fees, and costs. In addition, Wisconsin Auto Title Loans has agreed to extinguish all finance charges and fees that have accrued on all open accounts, of which there are approximately 36,000. The State estimates this will amount to millions of dollars in extinguished accrued interest and fees.

Wisconsin customers who purchased CCC between January 1, 1999, and December 31, 2010, will be eligible for a cash payment from the restitution fund if the class member's payments to Wisconsin Auto Title Loans equaled or exceeded the cash they received from Wisconsin Auto Title Loans when the loan was initiated. In addition, the Agreement allows for significant injunctive relief, including:

- Wisconsin Auto Title Loans must release all existing liens it has on all borrowers' vehicles for all title loans issued in Wisconsin from January 1, 1999, through December 31, 2010. This will result in the release of approximately 36,000 liens.
- Wisconsin Auto Title Loans is prohibited from selling Continental Car Club for a period of two years after the effective date of the judgment, resulting in more than \$3 million of lost revenue to the company.

Attorney General Van Hollen commented on the settlement: "This case shows, once again, that companies who violate the law in Wisconsin will be held accountable. I am particularly pleased with the outcome in this case because people are often suffering from financial difficulties already, and it is troubling to see those individuals being targeted by a deceptive scheme."

DFI Secretary Peter Bildsten said, "DFI is very pleased to reach this settlement, and to provide meaningful relief for Wisconsin consumers in the form of nearly \$2 million in refunds; the cancellation of millions of dollars in finance charges; and putting in place a moratorium on the sale of the product that was at the crux of this lawsuit. Protecting Wisconsin consumers from these types of deceptive business practices is a responsibility that DFI takes very seriously."

A hearing to determine whether the court will approve the settlement (a “Fairness Hearing”) has been scheduled for December 10, 2013. Notification will be mailed to the class members on September 27, 2013, informing them of the terms of the settlement, the ability to opt out of the settlement or object to the settlement at the December 10 Fairness Hearing. A website also will be made available on September 27, 2013, detailing the terms of the proposed settlement, with the domain name “titleloansettlement.com.” Also on September 27, 2013, affected class members will be able to call the Toll-Free Number: 877-435-4065 for information about the terms of the settlement.

The State is being represented by Assistant Attorney General Lara Sutherlin. The State Department of Financial Institutions also is assisting in this case.

[Stipulation of Settlement](#)

[Order Preliminarily Approving Settlement and Providing for Notice](#)

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