



Payday Lenders That Used Tribal Affiliation to Illegally Garnish Wages Settle with FTC

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Settlement Requires Defendants to Pay Nearly \$1 Million

FOR RELEASE

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A South Dakota-based [payday lending operation and its owner will pay](#) \$967,740 to the U.S. Treasury as part of a settlement resolving FTC charges that they used [unfair and deceptive tactics to collect on payday loans](#) and forced debt-burdened consumers to travel to South Dakota and appear before a tribal court that did not have jurisdiction over their cases.

"Debt collectors cannot garnish consumers' wages without a court order, and they cannot sue consumers in a tribal court that doesn't have jurisdiction over their cases," said Jessica Rich, Director of the FTC's Bureau of Consumer Protection. "Regardless of tribal affiliation, debt collectors must comply with federal law."

According to the complaint filed by the FTC, Webb and his companies offered short-term, high-fee, unsecured payday loans of \$300 to \$2,525 to consumers throughout the country, advertising on television and online. The [FTC charged that defendants illegally tried to garnish consumers' wages](#) without a court order, and sought to manipulate the legal system and [force borrowers to appear before the Cheyenne River Sioux Tribal Court in South Dakota](#), which did not have jurisdiction over their cases. The defendants also attempted to obtain tribal court orders to garnish consumers' wages, according to the agency.

Under the terms of the settlement, Martin A. Webb and his companies have agreed to a \$550,000 civil penalty for violating the Credit Practices Rule – which prohibits payday lenders from requiring borrowers to consent to have wages taken directly out of their paychecks in the event of a default. Following a partial judgment in favor of the FTC in September 2013, the defendants surrendered \$417,740 in ill-gotten gains stemming from their prior practice of attempting to garnish consumers' wages without court orders.

In addition to the monetary payment imposed on the defendants, the settlement prohibits them from further unfair and deceptive practices, and bars them from suing any consumer in the course of collecting a debt, except for bringing a counter suit to defend against a suit brought by a consumer.

For consumer information regarding payday loans see: [Payday Loans](#).

In addition to Webb, the FTC's complaint and amended complaint named as defendants Payday Financial, LLC, Great Sky Finance, LLC, Western Sky Financial, LLC, Red Stone Financial, LLC, Financial Solutions, LLC, Management Systems, LLC, 24-7 Cash Direct, LLC, Red River Ventures, LLC, and High Country Ventures, LLC.

The Commission vote approving the settlement was 4-0. On April 4, 2014, the U.S. District Court for the District of South Dakota approved the settlement and entered a final order and judgment.

The Federal Trade Commission works for consumers to prevent fraudulent, deceptive, and unfair business practices and to provide information to help spot, stop, and avoid them. To file a complaint in English or Spanish, visit the FTC's online [Complaint Assistant](#) or call 1-877-FTC-HELP (1-877-382-4357). The FTC enters complaints into Consumer Sentinel, a secure, online database available to more than 2,000 civil and criminal law enforcement agencies in the U.S. and abroad. The FTC's website provides [free information on a variety of consumer topics](#). Like the FTC on [Facebook](#), follow us on [Twitter](#), and [subscribe to press releases](#) for the latest FTC news and resources.

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