



FTC Action Halts Allegedly Illegal Tactics of Payday Lending Operation That Attempted to Garnish Consumers Paychecks

September 12, 2011

FOR RELEASE

TAGS: Consumer Protection

After the Federal Trade Commission filed an action in U.S. district court, a payday lender that allegedly attempted to illegally garnish consumers' wages has agreed to stop the challenged conduct pending trial.

As part of its continuing crackdown on scams that target consumers in financial distress, the FTC complaint alleges that Payday Financial, LLC, doing business as Lakota Cash and Big Sky Cash, along with other defendants, illegally attempted to garnish consumers' wages without obtaining a court order, to collect payments on payday loans. As a result, the defendants illegally revealed consumers' supposed debts to their employers and deprived consumers of their right to dispute the debts or make payment arrangements, the FTC alleges.

According to the FTC, defendant Martin A. Webb operates Payday Financial, LLC, and several related businesses in Timber Lake, South Dakota. The defendants offer short-term, high-fee, unsecured payday loans of \$300 to \$2,525 to consumers throughout the country, advertising on television and through websites such as www.bigskycash.com and www.westernsky.com.

The FTC complaint alleges that when a consumer does not pay back a payday loan on time, the defendants send documents to his or her employer that mimic those used by federal agencies collecting debts owed to the government in an attempt to garnish the consumer's wages. Under federal law, the government can directly require employers to garnish wages for debts it is owed without a court order. But private creditors must obtain a court order before garnishing a debtor's wages. The complaint charges the defendants with violating the FTC Act by:

- misrepresenting to employers that the defendants are legally authorized to garnish an employee's wages, without first obtaining a court order;
- falsely representing to employers that the defendants have notified consumers about the pending garnishment and have given them an opportunity to dispute the debt; and
- unfairly disclosing the existence and the amounts of consumers' supposed debts to employers and co-workers without the consumers' knowledge or consent.

The complaint further alleges that the defendants have violated the FTC's Credit Practices Rule by requiring consumers taking out payday loans to consent to have wages taken directly out of their paychecks in the event of a default, and have violated the Electronic Funds Transfer Act and Regulation E by requiring authorization for electronic payments from their bank account as a condition of obtaining payday loans.

The Commission vote authorizing the staff to file the complaint was 5-0. The FTC filed the complaint and a request for preliminary relief in the U.S. District Court for the District of South Dakota, Central Division on September 6, 2011. The complaint names 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, High Country Ventures, LLC, and Martin Webb. On September 7, 2011, the parties agreed to a stipulated preliminary injunction to immediately halt the alleged unlawful conduct, and the court accepted and entered the stipulated preliminary injunction. The FTC would like to acknowledge the assistance of the South Dakota U.S. Attorney's Office.

NOTE: The Commission files a complaint when it has "reason to believe" that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. The complaint is not a finding or ruling that the defendant has actually violated the law.

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](#) and follow us on [Twitter](#).

(FTC File No. 1123023)

(Payday Financial NR)

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