

**UNITED STATES OF AMERICA
CONSUMER FINANCIAL PROTECTION BUREAU**

ADMINISTRATIVE PROCEEDING

File No. 2015-CFPB-0021

**In the Matter of
Springstone Financial, LLC**

CONSENT ORDER

The Consumer Financial Protection Bureau has reviewed the business practices of Springstone Financial, LLC (Respondent) for actions predominantly during the period before its acquisition by LendingClub Corporation, relating to its health-care-services financing program, and has identified violations of §§ 1031 and 1036 of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531, 5536. Until December 2014, Springstone permitted dental-service providers to offer consumers, and to enroll them in, its deferred-interest loan product. Some consumers received deceptive or misleading information concerning the nature of these products when enrolling through this channel. Under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, the Bureau issues this consent order (Order).

I

Jurisdiction

1. The Bureau has jurisdiction over this matter under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565.

II

Stipulation

2. Respondent has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated August, 15, 2015 (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the issuance of this Order by the Bureau under §§ 1053 and 1055 of the CFPB, 12 U.S.C. §§ 5563, 5565, without admitting or denying any of the below findings of fact or conclusions of law, except that Respondent admits that the Bureau has jurisdiction over it and the subject matter of this action.

III

Definitions

For purposes of this Order, the following definitions apply:

1. “Affected Consumers” means any consumer that financed dental services through the Springstone Patient Financing Program with a deferred-interest loan product opened in the Provider-Assisted Channel during the Relevant Period and who subsequently paid deferred interest.

2. “Board” means Respondent’s duly-appointed and acting Managers.

3. “Effective Date” means the date on which the Order is entered.

4. “Enforcement Director” means the Assistant Director of the Office of Enforcement for the Consumer Financial Protection Bureau, or his or her delegee.

5. “Related Consumer Action” means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against Respondent based on substantially the same facts as described in Section IV of this Order.

6. “Relevant Period” means from January 1, 2009 through December 10, 2014.
7. “Respondent” means Springstone Financial, LLC and its successors and assigns.

IV

Bureau Findings and Conclusions

The Bureau finds the following:

8. Respondent is located in Westborough, Massachusetts.
9. LendingClub Corporation (LendingClub), which is located in San Francisco, California, acquired Springstone on April 17, 2014. LendingClub facilitates loans to consumers and businesses.
10. During the Relevant Period, Respondent administered the Springstone Patient Financing Program (the Financing Program), which offered consumers loan products for financing health-care services through partner banks who issued and serviced the loan products (Issuing Bank).
11. The Financing Program’s loan products are “consumer financial products or services” under § 1002(5) of the CFPA. 12 U.S.C. § 5481(5).
12. Respondent is a “covered person” under § 1002(6) of the CFPA. 12 U.S.C. § 5481(6).
13. During the Relevant Period, the Financing Program included two loan products: an installment loan with APRs ranging from 3.99% to 17.99% (Fixed-Payment Product) and a no-interest loan if the loan balance was paid in full within promotional periods of 6, 12, 18, or 24 months (Deferred-Interest Loan Product).
14. The Financing Program’s loan products financed services provided by

health-care providers that registered with Respondent and that Respondent permitted to offer the Financing Program in their practices (Participating Providers).

15. As of December 2014, there were about 9,000 Participating Providers in Springstone's Financing Program network.

16. Consumers could apply for and open a loan product facilitated through the Financing Program either directly through Respondent (Company Channel) or through a Participating Provider (Provider-Assisted Channel).

17. When consumers applied for and opened a loan product through the Company Channel, they accessed an application directly through Respondent's website or by contacting its call center. These consumers often did so at their own homes, and were typically not billed for dental or other health-care services at the same time as enrollment. These consumers received their initial disclosures directly from Respondent.

18. When consumers opened a loan product through the Provider-Assisted Channel, they applied for and opened a loan product in a Participating Provider's office. Participating Providers gave consumers application materials, conveyed information about the Financing Program, and submitted applications to Respondent on behalf of consumers at the consumers' direction.

19. Aside from the printed application and other written disclosures, which were prepared by Respondent, any additional information consumers received regarding the Financing Program's terms typically came from a Participating Provider's staff member. Consumers relied on Participating Providers, who had been initially trained by Respondent to offer the product, to provide them accurate information about the product. The health-care services that consumers used the Financing Program to

pay for were typically performed at the time of enrollment or shortly thereafter.

20. As of December 2014, about 139,000 consumers had active loan-product accounts. About 67% of those consumers had selected the Deferred-Interest Loan Product over the Fixed-Payment Product.

21. With the Deferred-Interest Loan Product, if the consumer did not pay the original balance in full within the promotional period, a 22.98% APR was applied to the consumer's declining balance from the date of the consumer's original purchase. The 22.98% APR then applied to the account balance going forward.

22. About 77% of Deferred-Interest Loan Products opened in the Provider-Assisted Channel were used for dental services.

23. In some instances, Participating Providers in the dental-services market improperly conveyed the terms of the Deferred-Interest Loan Product to consumers. Participating Providers, in offering the Deferred-Interest Loan Product, (i) told consumers that the product was a "no-interest" loan rather than a deferred-interest loan, or (ii) failed to inform consumers selecting the Deferred-Interest Loan Product that interest would accrue at a rate of 22.98% from the date of purchase if the balance was not paid before the promotional period ended.

24. Thus, even if a consumer enrolling in the Deferred-Interest Loan Product through the Provider-Assisted Channel received appropriate written disclosures, some Participating Providers orally provided contradictory or misleading information about the Deferred-Interest Loan Product, causing consumers to misunderstand the product.

25. The representations described in paragraph 23 were material misrepresentations and omissions of fact, likely to mislead consumers, and constituted deceptive and misleading statements and practices in violation of § 1031(a)(1) of the

CFPA's prohibition on deceptive acts or practices. 12 U.S.C. §§ 5531, 5536(a)(1)(B).

Respondent's operation of the Provider-Assisted Channel and its failure to adequately train and monitor the Participating Providers resulted in these deceptive and misleading acts and practices.

26. During the Relevant Period, about 3,200 dental-services consumers paid deferred interest on a Deferred-Interest Loan Product opened in the Provider-Assisted Channel.

27. Some consumers who enrolled in the Deferred-Interest Product through the Provider-Assisted Channel may have paid deferred interest because they received inaccurate information about the terms of the loan.

28. Respondent eliminated the Deferred-Interest Loan Product in December 2014.

ORDER

V

Order to Pay Redress

IT IS ORDERED, under §§ 1053 and 1055 of the CFPA, that:

29. A judgment for equitable monetary relief is entered in favor of the Bureau and against Respondent in the amount of \$700,000.

30. On or before November 2, 2015, Respondent must submit to the Enforcement Director for review and non-objection a comprehensive written plan for providing redress consistent with this Order (Redress Plan). The Enforcement Director will have the discretion to make a determination of non-objection to the Redress Plan or direct the Respondent to revise it. If the Enforcement Director directs the Respondent to revise the Redress Plan, the Respondent must make the revisions and resubmit the

Redress Plan to the Enforcement Director within 30 days. After receiving notification the Enforcement Director has made a determination of non-objection to the Redress Plan, the Respondent must implement and adhere to the steps, recommendations, deadlines, and timeframes as outlined in the Redress Plan.

31. The Redress Plan must provide a calculation of the amount of reimbursement to be paid to each Affected Consumer on a pro rata basis (Reimbursement Award).

32. Under the Redress Plan, Respondent must issue Reimbursement Awards as follows:

- a. for any Affected Consumer with an open account with an Issuing Bank, Respondent must work with the Issuing Bank to issue a statement credit or send a reimbursement check made payable to the consumer and mailed to the consumer's address as currently in the Issuing Bank's books and records; and
- b. for any Affected Consumer with a closed or inactive (\$0 balance) account with an Issuing Bank, Respondent must send a reimbursement check made payable to the consumer and mailed to the consumer's last-known address as set forth in the Issuing Bank's books and records.

33. After completing the Redress Plan, if the amount of redress provided to Affected Consumers is less than \$700,000, within 30 days of the completion of the Redress Plan, Respondent must pay to the Bureau, by wire transfer to the Bureau or to the Bureau's agent, and according to the Bureau's wiring instructions, the difference between the total amount in Reimbursement Awards provided to Affected Consumers and \$700,000.

34. The Bureau may use these remaining funds to pay additional redress to

Affected Consumers. If the Bureau determines, in its sole discretion, that additional redress is wholly or partially impracticable or otherwise inappropriate, or if funds remain after the additional redress is completed, the Bureau will deposit any remaining funds in the U.S. Treasury as disgorgement. Respondent will have no right to challenge any actions that the Bureau or its representatives may take under this Section.

35. Respondent may not condition the payment of any redress to any Affected Consumer under this Order on that Affected Consumer waiving any right.

36. In the event of any default on Respondent's obligations to make payment under this Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.

37. Respondent must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Respondent.

38. Under 31 U.S.C. § 7701, Respondent, unless they already have done so, must furnish to the Bureau its taxpayer identifying number, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Order.

39. Within 30 days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Respondent must notify the Enforcement Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Respondent paid or are required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

VI

Conduct Provisions

IT IS FURTHER ORDERED that:

40. Respondent terminated the Deferred-Interest Loan Product that is the subject of this Order in December 2014. Should Respondent market or sell any product substantially similar to the terms and conditions of the Deferred-Interest Loan Product (including retroactive interest) in the future, they must first secure a determination of non-objection from the Bureau.

41. Should Respondent seek such a determination, it must submit to the Enforcement Director a Compliance Plan designed to ensure that the sales and marketing of the deferred-interest product comply with applicable Federal consumer-financial laws and the terms of this Order. The Bureau will have the discretion to make a determination of non-objection to the Compliance Plan or direct the Respondent to revise it. If the Bureau directs the Respondent to revise the Compliance Plan, the Respondents must make the revisions and resubmit the Compliance Plan to the Enforcement Director within 15 days. After receiving notification the Bureau has made a determination of non-objection to the Redress Plan, the Respondent must implement and adhere to the steps, recommendations, deadlines, and timeframes as outlined in the Compliance Plan.

VII

Role of the Board

IT IS FURTHER ORDERED that:

42. The Board must review all submissions required by this Order before submission to the Bureau.

43. Although this Order requires Respondent to submit certain documents for the review or non-objection by the Enforcement Director, the Board will have the ultimate responsibility for proper and sound management of Respondent and for ensuring that Respondent complies with Federal consumer financial law and this Order.

44. In each instance that this Order requires the Board to ensure adherence to, or perform certain obligations of Respondent, the Board must:

- a. authorize whatever actions are necessary for Respondent to fully comply with the Order;
- b. require timely reporting by management to the Board on the status of compliance obligations; and
- c. require timely and appropriate corrective action to remedy any material non-compliance with any failures to comply with Board directives related to this Section.

VIII

Reporting Requirements

IT IS FURTHER ORDERED that:

45. Respondent must notify the Bureau of any development that may affect compliance obligations arising under this Order, including but not limited to a

dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order; the filing of any bankruptcy or insolvency proceeding by or against Respondent; or a change in Respondent's name or address. Respondent must provide this notice at least 30 days before the development or as soon as practicable after the learning about the development, whichever is sooner.

46. Within 7 days of the Effective Date, Respondent must designate at least one telephone number and email, physical, and postal address as points of contact, which the Bureau may use to communicate with Respondent.

47. Respondent must report any change in the information required to be submitted under Paragraph 46 at least 30 days before the change or as soon as practicable after the learning about the change, whichever is sooner.

IX

Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that:

48. Within 30 days of the Effective Date, Respondent must deliver a copy of this Order to each of its Managers and executive officers.

49. For 5 years from the Effective Date, Respondent must deliver a copy of this Order to any business entity resulting from any change in structure referred to in Section VIII and any future Managers and executive officers.

50. Respondent must secure a signed and dated statement acknowledging receipt of a copy of this Order, ensuring that any electronic signatures comply with the

requirements of the E-Sign Act, 15 U.S.C. § 7001 *et seq.*, within 30 days of delivery, from all persons receiving a copy of this Order under this Section.

X

Recordkeeping

IT IS FURTHER ORDERED that:

51. Respondent must create and retain, for at least 5 years from the Effective Date, all documents and records necessary to demonstrate full compliance with each provision of this Order, including all submissions to the Bureau.

52. Respondent must make the documents identified in Paragraph 51 available to the Bureau upon the Bureau's request.

XI

Notices

IT IS FURTHER ORDERED that:

53. Unless otherwise directed in writing by the Bureau, Respondent must provide all submissions, requests, communications, or other documents relating to this Order in writing, with the subject line, "***In re Springstone Financial, LLC, File No. 2015-CFPB-0021***," and send them either:

a. By overnight courier (not the U.S. Postal Service), as follows:

Assistant Director for Enforcement
Consumer Financial Protection Bureau
ATTENTION: Office of Enforcement
1625 Eye Street, N.W.
Washington D.C. 20006; or

b. By first-class mail to the below address and contemporaneously by email to [Enforcement Compliance@cfpb.gov](mailto:Enforcement_Compliance@cfpb.gov):

Assistant Director for Enforcement
Consumer Financial Protection Bureau
ATTENTION: Office of Enforcement
1700 G Street, N.W.
Washington D.C. 20552

XII

Cooperation with the Bureau

IT IS FURTHER ORDERED that:

54. Respondent must cooperate fully to help the Bureau determine the identity and location of, and the amount of refund payable to, each Affected Consumer. Respondent must provide such information in its or its agent's possession or control within 14 days of receiving a written request from the Bureau.

XIII

Compliance Monitoring

IT IS FURTHER ORDERED that, to monitor Respondent's compliance with this Order:

55. Within 14 days of receipt of a written request from the Bureau, Respondent must submit the requested information, which must be made under penalty of perjury; provide sworn testimony; or produce documents.

56. Respondent must permit Bureau representatives to interview any employee or other person affiliated with Respondent who has agreed to such an interview. The person interviewed may have counsel present.

57. Nothing in this Order will limit the Bureau's lawful use of civil investigative demands under 12 C.F.R. § 1080.6 or other compulsory process.

XIV

Modifications to Non-Material Requirements

IT IS FURTHER ORDERED that:

58. Respondent may seek a modification to non-material requirements of this Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Enforcement Director.

59. The Enforcement Director may, in his or her discretion, modify any non-material requirements of this Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) if he or she determines good cause justifies the modification. Any such modification by the Enforcement Director must be in writing.

XV

Administrative Provisions

60. The provisions of this Order do not bar, estop, or otherwise prevent the Bureau, or any other governmental agency, from taking any other action against Respondent, except as described in Paragraph 61.

61. The Bureau releases and discharges Respondent from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in Section IV of this Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. The Bureau

may use the practices described in this Order in future enforcement actions against Respondent and its affiliates, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the Bureau to determine and ensure compliance with the Order, or to seek penalties for any violations of the Order.

62. This Order is intended to be, and will be construed as, a final Order issued under § 1053 of the CFPB, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.

63. This Order will terminate 5 years from the Effective Date or 5 years from the most recent date that the Bureau initiates an action alleging any violation of the Order by Respondent. If such action is dismissed or the relevant adjudicative body rules that Respondent did not violate any provision of the Order, and the dismissal or ruling is either not appealed or upheld on appeal, then the Order will terminate as though the action had never been filed. The Order will remain effective and enforceable until such time, except to the extent that any provisions of this Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.

64. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.

65. The provisions of this Order will be enforceable by the Bureau. For any violation of this Order, the Bureau may impose the maximum amount of civil money penalties allowed under § 1055(c) of the CFPB, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this Order in federal district court, the Bureau may

serve Respondent wherever Respondent may be found and Respondent may not contest that court's personal jurisdiction over Respondent.

66. This Order and the accompanying Stipulation contain the complete agreement between the parties. The parties have made no promises, representations, or warranties other than what is contained in this Order and the accompanying Stipulation. This Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.

IT IS SO ORDERED, this 17 th day of August, 2015.



Richard Cordray
Director

Consumer Financial Protection Bureau