

IN THE UNITED STATES DISTRICT COURT FOR THE  
EASTERN DISTRICT OF VIRGINIA  
Richmond Division

Consumer Financial Protection Bureau,

Plaintiff,

v.

Fredericksburg Gold & Pawn, Inc.,

Defendant.

CIVIL ACTION NO. 3:16cv987

**COMPLAINT**

The Consumer Financial Protection Bureau (Bureau) alleges the following against  
Fredericksburg Gold & Pawn, Inc.

**Introduction**

1. The Bureau brings this action under § 1054 of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. § 5564, and § 108 of the Truth in Lending Act (TILA), 15 U.S.C. § 1607(a)(6), based on Fredericksburg Gold & Pawn’s failure to disclose an accurate annual-percentage rate on closed-end pawn contracts, in violation of TILA, 15 U.S.C. § 1601, *et seq.*, and its implementing regulation, Regulation Z, 12 C.F.R. part 1026, and § 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(A).

**Jurisdiction and Venue**

2. This Court has subject-matter jurisdiction over this action because it is brought under “Federal consumer financial law,” 12 U.S.C. § 5565(a)(1), presents a federal question, 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C. § 1345.

3. Venue is proper in this district because Fredericksburg Gold & Pawn is located, resides, and does business here. 28 U.S.C. § 1391(b)-(d); 12 U.S.C. § 5564(f).

## **Parties**

4. The Bureau is an agency of the United States created by the CFPA and charged with regulating the offering and providing of consumer-financial products and services under federal consumer-financial laws. 12 U.S.C. § 5491(a). It has independent litigating authority, including the authority to enforce the regulations promulgated under TILA. 15 U.S.C. § 1607. *See* 12 U.S.C. § 5564(a)-(b); *see also* 12 U.S.C. § 5481(12)(O), (14) (defining “Federal consumer financial law” to include TILA).

5. Fredericksburg Gold & Pawn is a Virginia corporation with its principal place of business in Virginia. Fredericksburg Gold & Pawn operates as a pawnbroker, issuing closed-end loans for consumers’ personal, family, or household purposes that are secured by personal property. Fredericksburg Gold & Pawn offers or provides a consumer-financial product or service under the CFPA, 12 U.S.C. §§ 5481(5)(A), (15)(A)(i), and is thus a “covered person” under the CFPA, 12 U.S.C. § 5481(6)(A).

## **Facts**

6. From 1989 through the present, Fredericksburg Gold & Pawn has operated as a pawnbroker out of its store located at 447 Jefferson Davis Highway, Fredericksburg, Virginia 22401.

7. In connection with each loan, Fredericksburg Gold & Pawn charges a finance charge of an amount that varies with the size of the loan. Fees for “interest,” “storage,” and “miscellaneous” make up the total finance charge. Each fee is charged as a condition of the extension of credit.

8. Fredericksburg Gold & Pawn’s loan contracts disclose the following terms with associated values in prominent boxes under the heading “Truth in Lending”: “maturity date,”

“amount financed,” “finance charge,” “total of payments,” “annual percentage rate,” and “payment schedule.”

9. From at least January 1, 2013, through at least September 2015, Fredericksburg Gold & Pawn disclosed an incorrect “annual percentage rate,” or APR, on most of its contracts, understating the APRs by as much as half of the accurate rate.

10. The inaccurate APRs on Fredericksburg Gold & Pawn’s contracts underrepresented the true cost of the loans made to thousands of consumers.

**Count One  
Violations of TILA**

11. The Bureau realleges and incorporates by reference paragraphs 1-10.

12. TILA and Regulation Z require that certain material disclosures be provided to a consumer before consummation of a loan contract. 15 U.S.C. § 1638(a)-(b); 12 C.F.R. § 1026.17(a)-(b), 1026.18.

13. Among the required material disclosures in a closed-end credit transaction are the finance charge and APR. 15 U.S.C. §§ 1602(v), 1638(a)(3)-(4); 12 C.F.R. § 1026.18(d)-(e).

14. The finance charge is generally “the sum of all charges, payable directly or indirectly by the person to whom the credit is extended, and imposed directly or indirectly by the creditor as an incident to the extension of credit.” 15 U.S.C. § 1605(a).

15. Regulation Z requires that a contract for closed-end credit disclose the finance charge, “using that term, with a brief description such as ‘the dollar amount the credit will cost you.’” 12 C.F.R. § 1026.18(d).

16. The APR is “a measure of the cost of credit, expressed as a yearly rate.” 12 C.F.R. § 1026.22(a)(1); *see also* 15 U.S.C. § 1606(a).

17. Regulation Z requires that a contract for closed-end credit disclose the APR, “using that term, with a brief description such as ‘the cost of your credit as a yearly rate.’” 12 C.F.R. § 1026.18(e).

18. The “interest,” “storage,” and “miscellaneous” fees charged by Fredericksburg Gold & Pawn are all incident to the extension of credit and part of the finance charge required to be disclosed to consumers and included in calculation of the APR disclosed to consumers. 15 U.S.C. §§ 1605(a), 1606(a), 1638(a)-(b); 12 C.F.R. §§ 1026.4(a), 1026.18, 1026.22; 12 C.F.R. pt. 1026, Supp. I (Comment 17(c)(1)-18).

19. In the course of extending closed-end credit, Fredericksburg Gold & Pawn used credit agreements that inaccurately disclosed the APR required by TILA and Regulation Z. 15 U.S.C. §§ 1605(a), 1606(a), 1638(a)-(b); 12 C.F.R. § 1026.18(d)-(e); 12 C.F.R. § 1026.22.

20. Fredericksburg Gold & Pawn therefore violated TILA and Regulation Z. 15 U.S.C. §§ 1605(a), 1606(a), 1638(a)-(b); 12 C.F.R. § 1026.18(d)-(e); 12 C.F.R. § 1026.22.

**Count Two  
Violations of the CFPA**

21. The Bureau realleges and incorporates by reference paragraphs 1-10.

22. Fredericksburg Gold & Pawn’s violations of TILA and Regulation Z, alleged in Count One, constitute violations of the CFPA. 12 U.S.C. § 5536(a)(1)(A).

**Demand for Relief**

Wherefore, the Bureau requests that the Court:

1. enjoin Fredericksburg Gold & Pawn from committing future violations of TILA and the CFPA;
2. award restitution;
3. award damages or other monetary relief;

4. order disgorgement of ill-gotten gains;
5. award a civil-money penalty;
6. award costs; and
7. award additional relief as the Court may determine to be just and proper.

Dated: December 19, 2016

Respectfully submitted,

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