U.S. SEC charges Capital One bank with understating loan losses

WASHINGTON, April 24 (Xinhua) -- The U.S. Securities and Exchange Commission (SEC) announced on Wednesday that it has charged Capital One Financial Corporation and two of its senior executives with understating millions of dollars in auto loan losses incurred during the months leading into the global financial crisis.The SEC found that in its financial reports for the second and third quarter of 2007, Capital One, the eighth largest bank in the United States in terms of assets, toned down the losses in its auto loan business when they became higher than originally forecast.SEC investigations showed that at that time Capital One had extended credit to subprime consumers for making profit. As credit markets began to sour, Capital One found it had a significant impact on its loan loss, but understated it by about 18 percent in the second quarter and 9 percent in the third.Capital One has agreed to pay 3.5 million dollars to settle the charge, said the SEC.In addition, the company's former chief risk officer Peter Schnall and former divisional credit officer David LaGassa were also charged with failing to conduct internal controls. Schnall agreed to pay a penalty of 85,000 dollars and LaGassa agreed to pay 50,000 dollars.However, Capital One and the two executives neither admitted nor denied the SEC findings. It is a usual practice the SEC takes to accelerate enforcement actions.Addressing misconduct that led to or arose from the 2008 financial crisis is one of the SEC's priorities. As of Feb. 1, 2013, the financial industry watchdog had ordered 2.68 billion dollars in penalties, disgorgement and other monetary relief.