

IN THE SUPERIOR COURT OF THE DISTRICT OF COLUMBIA  
Civil Division

DISTRICT OF COLUMBIA

a municipal corporation  
441 4<sup>th</sup> Street, N.W.  
Washington, D.C. 20001

Plaintiff,

v.

CASHCALL, INC.

One City Blvd. W., Suite 102  
Orange, CA 92868

Serve: National Registered Agents, Inc.  
1015 15th St., N.W., Suite 1000  
Washington, D.C. 20005

WS FUNDING LLC

One City Blvd. W., Suite 102  
Orange, CA 92868

Serve: RL&F Service Corp.  
920 N. King St., Floor 2  
Wilmington, DE 19801

J. PAUL REDDAM

One City Blvd. W., Suite 102  
Orange, CA 92868

Defendants.

Civil Action No: 2015 CA 006904 B

Judge:

Calendar:

COMPLAINT FOR INJUNCTIVE  
AND OTHER RELIEF

Plaintiff District of Columbia ("District"), by the Office of the Attorney General, brings this action pursuant to D.C. Official Code § 28-3909 for injunctive relief, consumer restitution, and civil penalties against Defendants CashCall, Inc., WS Funding LLC, and J. Paul Reddam, for violations of the District's debt collection law, D.C. Official Code § 28-3814(g). The District states as follows:

1. This action arises under the District's debt collection law, D.C. Official Code § 28-3814(g) (prohibiting the collection of interest not legally chargeable to a consumer), and the District's usury law, D.C. Official Code § 28-3301(a) (limiting lawful interest to "a rate not exceeding 24% per annum").

#### Jurisdiction

2. This Court has jurisdiction over the subject matter of this case pursuant to D.C. Official Code §§ 11-921 and 28-3909.

3. This Court has personal jurisdiction over all the Defendants pursuant to D.C. Official Code § 13-423(a).

#### The Parties

4. Plaintiff District of Columbia ("District"), a municipal corporation that is authorized to sue and be sued, is the local government for the territory constituting the seat of the government for the United States of America. The District brings this action, through its Attorney General, pursuant to the District's Consumer Protection Procedure Act, D.C. Official Code § 28-3909, which authorizes the Attorney General to bring court actions to enforce the District's debt collection law, D.C. Official Code § 28-3814.

5. Defendant CashCall, Inc. ("CashCall") is a California corporation with its principal office located at One City Boulevard West, Orange, CA 92868. CashCall engages in the business of buying, servicing, and collecting consumer loans originated by Western Sky Financial LLC ("Western Sky"), a former South Dakota company.

6. Defendant WS Funding LLC ("WS Funding") is a Delaware limited liability company with its principal office also located at One City Boulevard West, Orange, CA 92868.

WS Funding is a wholly owned subsidiary of CashCall, Inc., and engages in the business of buying, servicing, and collecting consumer loans originated by Western Sky.

7. Until early 2015, Delbert Services Corporation (“Delbert”), a Nevada corporation with its principal office located at 7125 Pollock Drive, Las Vegas, NV 89119, engaged in the business of buying, servicing, and collecting consumer loans originated by Western Sky. Delbert was dissolved in April 2015.

8. Defendant J. Paul Reddam has served as the CEO, President, Director, and owner of CashCall, the president, manager, and member of WS Funding, and the director and owner of Delbert. He has managerial authority over CashCall and WS Funding, is involved in their day-to-day operations, and is responsible for developing and implementing all their major company policies. His business address is One City Boulevard West, Orange, CA 92868.

#### **Factual Background**

9. Western Sky was a South Dakota-based lender that made high-interest loans to cash-strapped consumers across the United States, including consumers in the District of Columbia. Western Sky ceased operations in September 2013 after multiple state enforcement agencies sued the company for consumer protection violations.

10. Beginning not later than early 2010, and continuing through its closure in September 2013, Western Sky offered consumers a variety of loan options, with principal amounts ranging from \$500 to \$10,000.

11. Western Sky charged interest on these loans at annual percentage rates (“APRs”) ranging from approximately 90 percent to over 340 percent, far above the District’s maximum lawful interest rate of 24 percent per annum.

12. Western Sky's loan offerings as of August 2013 are summarized by the following table from the company's previous website:

Loan Product	Borrower Proceeds	Loan Fee	APR	Number of Payments	Payment Amount
\$10,000	\$9,925	\$75	89.68%	84	\$743.49
\$5,075	\$5,000	\$75	116.73%	84	\$486.58
\$2,600	\$2,525	\$75	139.22%	47	\$294.46
\$1,500	\$1,000	\$500	234.25%	24	\$198.19
\$850	\$500	\$350	342.86%	12	\$150.72

The APRs for these loans ranged from 3.7 to more than 14 times the District's maximum lawful interest rate of 24 percent per annum.

13. Between early 2010 and September 2013, Western Sky made hundreds of thousands of loans to consumers across the United States, including many loans to consumers in the District of Columbia. District of Columbia consumers applied directly to Western Sky for their loans, generally submitting their loan applications and executing loan agreements from the District of Columbia through the internet. The consumers' loan applications contained sufficient information about the consumers to put Western Sky, as well as any subsequent purchaser of the loans, on notice that the borrowers were District of Columbia consumers. After consumers executed the loan agreements, Western Sky deposited the loan proceeds into the consumers' bank accounts. These loans were usurious because their interest rates exceeded the District's maximum lawful interest rate of 24 percent per annum.

14. Soon after Western Sky made these loans, Defendants purchased the loans and proceeded to service and collect on them by making telephone calls to consumers in the District of Columbia and by arranging automatic monthly payments from their bank accounts.

Defendants have applied the consumers' payments primarily to the unlawfully charged interest accruing on the loans. When consumers have fallen behind on their loan payments, Defendants have reported their payment delinquencies to the major credit reporting agencies.

15. In at least one instance, CashCall refused to stop making automatic payments from a District of Columbia consumer's bank account after receiving a written request from a legal aid organization, on behalf of the consumer, for the payments to stop. After CashCall sold the loan to Delbert, Delbert stopped collecting the automatic payments only after the consumer filed a complaint with the federal Consumer Financial Protection Bureau.

16. Since the closure of Western Sky in September 2013, Defendants have continued to service and collect on usurious loans that Western Sky made to District of Columbia consumers.

17. Defendants continue to collect interest from District of Columbia consumers, in amounts that far exceed the District's maximum lawful interest rate of 24 percent per annum, by automatically deducting loan payments from consumers' bank accounts and by contacting District of Columbia consumers through telephone calls and letters to request loan payments.

### Count I

#### **Collecting Illegally Charged Interest (D.C. Official Code §§ 28-3301(a) and 28-3814(g)(4))**

18. The allegations of paragraphs 1 through 17 are re-alleged as if fully set forth herein.

19. The loans that Defendants purchased from Western Sky were unlawful when made by Western Sky because the interest rates on the loans exceeded the District's maximum lawful interest rate of 24 percent per annum. D.C. Official Code § 28-3301(a). These loans were "direct installment loans" within the meaning of D.C. Official Code § 28-3814(a).

20. Defendants' attempts to collect and collection of interest from District of Columbia consumers on these direct installment loans, at rates that exceed the District's maximum lawful interest rate, violate the District's debt collection law, which prohibits "the collection of or the attempt to collect any interest [on direct installment loans] . . . unless such interest [is] legally chargeable to the consumer." D.C. Official Code § 28-3814(g)(4).

**Prayer for Relief**

WHEREFORE, the District of Columbia respectfully requests this Court enter a judgment in its favor and grant relief against Defendants, jointly and severally, as follows:

- (a) Permanently enjoin Defendants, pursuant to D.C. Official Code § 28-3909(a), from violating the District's debt collection law, D.C. Official Code § 28-3814;
- (b) Award restitution for consumers, pursuant to D.C. Official Code § 28-3909(a), for amounts collected from District of Columbia consumers in violation of the District's debt collection law;
- (c) Order the payment of statutory civil penalties in the amount of \$1,000 per violation, pursuant to D.C. Official Code § 28-3909(b), for Defendants' violations of the District's debt collection law;
- (d) Award the District the costs of this action and reasonable attorney's fees pursuant to D.C. Official Code § 28-3909(b); and
- (e) Grant such further relief as the Court deems just and proper.

**Jury Demand**

The District of Columbia demands a trial by jury by the maximum number of jurors permitted by law.

Respectfully submitted,

KARL A. RACINE  
Attorney General for the District of Columbia

ELIZABETH SARAH GERE  
Acting Deputy Attorney General  
Public Interest Division

  
BENNETT RUSHKOFF (D.C. Bar #386925)  
Chief, Public Advocacy Section

  
RICHARD V. RODRIGUEZ (D.C. Bar #1014925)  
JOSEPH R. MELANSON (D.C. Bar #1022386)  
MATTHEW D. TROUT\*  
Assistant Attorneys General  
Office of the Attorney General  
441 4th Street, N.W.  
Suite 630 South  
Washington, D.C. 20001  
(202) 741-0764  
matthew.trout@dc.gov

Attorneys for the District of Columbia

Dated: September 8, 2015

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\* Admitted to practice only in Maryland. Practicing in the District of Columbia pursuant to D.C. Court of Appeals Rule 49(c).