

COMMONWEALTH OF MASSACHUSETTS

SUFFOLK, ss.

SUPERIOR COURT
DEPARTMENT OF THE TRIAL COURT

:
:
In the Matter of
:
:
Monterey Financial Services, LLC
:
:

Civil Action No.

RECEIVED
APR 13 2022
SUPERIOR COURT-CIVIL
MICHAEL JOSEPH DONOVAN
CLERK/MAGISTRATE

ASSURANCE OF DISCONTINUANCE
PURSUANT TO M.G.L. CHAPTER 93A, § 5

INTRODUCTION & ALLEGATIONS

1. The Commonwealth of Massachusetts (“Commonwealth”), through the Office of Attorney General Maura Healey (“AGO”), hereby files this Assurance of Discontinuance (“AOD”) with the Suffolk Superior Court pursuant to M.G.L. c. 93A, § 5.

2. Monterey Financial Services, LLC (“Monterey Financial”) is a California limited liability company headquartered in Oceanside, California, which, *inter alia*, purchases and services leases and retail installment sales contracts.

3. In 2014 Monterey Financial, began purchasing and/or servicing pet leases made to Massachusetts consumers who wanted to acquire dogs from retailers.

4. Pursuant to M.G.L. c. 93A, § 6, the AGO conducted an investigation into dog leases originated and/or purchased by companies, including Monterey Financial.

5. As a result of the investigation, the AGO alleges that Monterey Financial violated General Laws chapter 93A, § 2 by improperly holding leases for dogs in violation of M.G.L. c. 272, § 80I. M.G.L. c. 272, § 80I, makes the leasing of dogs illegal in Massachusetts. The AGO

also alleges that Monterey Financial violated 940 CMR 7.04(f)(1) by calling debtors too frequently. Monterey Financial denies that it has engaged in any unlawful conduct or violated any law.

6. In lieu of litigation, the AGO agrees to accept this AOD on the terms and conditions contained herein, pursuant to the Massachusetts Consumer Protection Act, M.G.L. c.93A, § 5. The AGO, Monterey Financial voluntarily enter into this AOD.

7. This AOD does not constitute an admission by Monterey Financial of any fact or noncompliance with any state or federal law, rule, or regulation. Monterey Financial enters into this AOD for settlement purposes only and neither admits nor denies the AGO's allegations, nor accepts any conclusion or inference drawn therefrom. This AOD is made without any trial or adjudication of any issue of fact or law.

REMEDICATION AND UNDERTAKINGS

8. Within thirty (30) days from the entry of this AOD, Monterey shall conduct a portfolio review to identify all lease agreements¹ originated in Massachusetts, which Monterey Financial has serviced and/or collected on since January 29, 2016.

9. Within sixty (60) days from entry of this AOD, with respect to the leases identified under Paragraph 8 involving dogs, Monterey Financial shall:

- a. For those accounts owned by Monterey Financial, waive any early termination penalty, transfer ownership of the dog to the lessee, and notify the lessee that they have no further obligations under the subject agreement. As part of the AGO's investigation, Monterey Financial identified 211 leases related to dogs, that it

¹ Lease agreements are any agreements titled lease agreements.

owned, which had a principal balance of \$710,335.20.² Monterey Financial represents and warrants that it has not sold any of these 211 accounts since October 29, 2021.

- b. For those accounts not owned by Monterey Financial, cease serving and/or collection on the subject account.
- c. For all accounts, submit requests to Transunion, Equifax, and Experian to remove any negative information from tradelines.

10. Regarding the affected leases identified under Paragraph 8 for which payments were made totaling more than the product's initial fair market value, Monterey Financial shall also distribute one hundred seventy-five thousand dollars (\$175,000.00) to those affected lessees (the "Consumer Payments").³

11. Monterey Financial will pay fifty thousand dollars (\$50,000) to the Commonwealth of Massachusetts within 10 days of the entry of this AOD (the "AGO Payment"). Monterey Financial shall send the payment to the attention of Gia Kim, Managing Administrative Assistant, Office of the Attorney General, Insurance & Financial Services Division, One Ashburton Place, 18th Floor, Boston, MA 02108.

12. The AGO Payment may be used pursuant to G.L. c. 12, sec. 4A for the purposes of consumer financial education, monitoring and implementation of this AOD, and related financial services mediation, investigative work, or to make payments to affected consumers.

² The parties understand that these figures have changed since they were provided to the AGO. Monterey Financial represents that the total principal debt relief shall not be less than \$700,000. This includes at least \$690,000 to be waived in paragraph 9a, with the remainder consisting of related consumer debt relief identified by the order identified in footnote 3.

³ Monterey Financial is entering into a Consent Order with the Massachusetts Division of Banks ("DOB") covering similar allegations. The parties agree that the Consumer Payments are not in addition to the payments made pursuant to the Consent Order with the DOB.

Any funds not encumbered for these purposes may be transferred to the Commonwealth's General Fund.

13. Monterey Financial agrees that it (i) shall not originate, acquire, or otherwise facilitate any new dog leases in the Commonwealth; and (ii) shall not make calls in violation of 940 CMR 7.04(f)(1).

COOPERATION & RECORD KEEPING

14. Monterey Financial will create and maintain, for a period of at least three (3) years from the date of entry of this AOD, all records necessary to demonstrate its compliance with its obligations under this AOD and will promptly provide such records to the AGO upon request. Monterey Financial will also assist with the remediation and undertakings by providing customer information reasonably requested by the AGO.

MISCELLANEOUS PROVISIONS

15. The AGO will not proceed with or institute a civil action or proceeding based upon M.G.L. c. 93A or any other statute or regulation, or common law, against Monterey Financial, together with any of its respective agents, subsidiaries, parents, agents, and subdivisions, based upon allegations that prior to the date that this AOD is filed with the Court, that Monterey Financial together with any of its respective agents, subsidiaries, parents, agents, and subdivisions leased dogs in violation of M.G.L. c. 272, § 80I or that it made calls in violation of 940 CMR 7.04(f)(1).

16. The AOD constitutes the entire agreement between the AGO and Monterey Financial, and supersedes any prior communication, understanding, or agreements, whether written or oral, concerning the subject matter of the AOD. This AOD can be modified or supplemented only by a written document signed by all parties.

17. All remediations and undertakings described in this AOD shall be completed within 180 days.

18. Monterey Financial agrees not to issue any 1099-C tax forms to consumers, related to the cancelation of balances and transfer of ownership required by this AOD, unless Monterey Financial is specifically required to do so by a taxing authority.

19. The AGO may extend any deadlines in this AOD in its sole discretion.

20. The AOD and its provisions will be effective on the date that it is filed in the Superior Court for Suffolk County.

21. Monterey Financial represents and warrants that it has the full legal power, capacity, and authority to bind the parties for whom it is acting, including its subsidiaries.

22. All confidential information disclosed to the AGO by Monterey Financial in the course of the investigation and in connection with this AOD shall be subject to the confidentiality provisions in M.G.L. c. 93A, § 6.

23. By signing below, Monterey Financial agrees to comply with all of the terms of this AOD. The parties shall work together in good faith to try to resolve any disputes or disagreements with respect to the terms of this AOD. Any violation of this AOD may be pursued in a civil action or proceeding under G.L. c. 93A hereafter commenced by the AGO.

24. This AOD may be executed in multiple counterparts, each of which will be deemed to be an original, but all of which together will be deemed to be an original, but all of which together will constitute one and the same instrument. The headings in this AOD are included only to help make this AOD easier to read and have no binding effect.

25. Notices to be sent pursuant to this AOD shall be sent as follows:

To Monterey Financial:
Monterey Financial Services, LLC
Attn: Shaun Lucas
4095 Avenida De La Plata
Oceanside, CA 92056

with copy, not constituting notice, to:
Richard M. Scherer, Jr., Esq.
Lippes Mathias LLP
50 Fountain Plaza, Suite 1700
Buffalo, NY 14202


To the AGO:
Michael Sugar, Assistant Attorney General
Massachusetts Attorney General's Office
1 Ashburton Place, 18th Floor
Boston, MA 02108

Signed this 12th day of April, 2022.

**FOR MONTEREY FINANCIAL
SERVICES, LLC**

By: 
Name: Shaun Lucas
Its: President/CEO

**FOR THE ATTORNEY GENERAL,
MAURA HEALEY**

By: 
Michael Sugar
Assistant Attorney General
Massachusetts Attorney General's Office
Insurance and Financial Services Division
1 Ashburton Place, 18th Floor
Boston, MA 02108
(617) 727-2200
Michael.Sugar@mass.gov
BBO#: 683901