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Consumer Protection Laws Texas Credit Services Organizations

Credit Service Organizations provide retail financial products and services to Texas consumers. From stores in neighborhoods across the state, hard-working Texans have access to credit services to obtain small, short term loans; money orders; pre-paid telephone and debit cards; and other services to help them manage their finances.

One of the services a CSO provides is locating and securing an independent third-party lender for customers who need small, short term loans for immediate financial needs. CSOs do not provide loans to consumers. The small, short term loans are underwritten using the criteria of the unaffiliated third-party lender, and are typically secured by the CSO's letter of credit or guaranty that backs up the consumer's promise to pay the lender.

Many CSOs also help consumers improve and rebuild their credit ratings by providing the opportunity for the successful repayment of their loans to be reported favorably to the Payment Reporting Builds Credit (PRBC)TM credit bureau.

Both the CSO and unaffiliated third-party lender must comply with an extensive array of federal and state consumer protection laws. Under these laws, a consumer may file complaints with the [Texas Attorney General](#), the [Federal Trade Commission](#), and against the bond or surety account on file with the [Texas Secretary of State](#). Examples of these consumer protection laws are provided below:

Texas Credit Service Organization Act ([Tex. Fin. Code Chapter 393](#)). Under this statute, a credit service organization must register with the Secretary of State, post a \$10,000 bond or surety account for each location if the CSO accepts any compensation in advance, provide full disclosure of fees and services before entering in a credit services contract with the consumer, and provide the consumer with a 3-day right to cancel the transaction without penalty or charge. Remedies include actual damages, potential punitive damages, attorneys' fees, and piggy-back application of the Texas Deceptive Trade Practices Consumer Protection Act.

Texas Deceptive Trade Practices – Consumer Protection Act ([Tex. Bus. & Comm. Code § 17.41 et seq.](#)). Chapter 17 of the Texas Business and Commerce Code provides consumers with special rights and remedies for damages or other relief, including potential economic damages and mental anguish under a standard of producing cause, treble damages in certain circumstances, and attorney's fees. Treble economic damages and damages for mental anguish may be awarded for knowing violations. Treble damages for mental anguish may be awarded for intentional violations.

[Texas Constitution Art. XVI, §11](#) and [Texas Finance Code Chapter 302](#). These laws provide lenders with stand-alone authority to make loans at a rate of 10% per annum or less, but subject to various consumer protection laws as outlined in this summary.

Federal Truth in Lending Act ([15 USC § 1601 et seq.](#)) and *Regulation Z* ([12 CFR part 226](#)). The CSO fee is included in the Finance Charge and Annual Percentage Rate disclosed by the lender to the consumer before a contract is entered into, not because the CSO fee any way compensates the lender for the use, forbearance or detention of the lender's short-term loan to the consumer, but because it is a cost of the loan for purposes of the federal statute's "comparison shopping" disclosures.

Texas Debt Collection Practices Act ([Tex. Fin. Code Chapter 392](#)) and *Federal Debt Collection Practices Act* ([15 USC § 1692 et seq.](#)). These laws regulate debt collection practices.

Federal Equal Credit Opportunity Act ([15 USC § 1691 et seq.](#)) and *Regulation B* ([12 CFR part 202](#)). These laws prohibit discriminatory practices.

Federal Fair Credit Reporting Act ([15 USC § 1681 et seq.](#)) and *Regulation V* ([12 CFR part 222](#)). These laws regulate the use of credit information and require accurate credit reporting.

Federal Trade Commission Act. ([15 USC § 41 et seq.](#)). These laws authorize the Federal Trade Commission to regulate trade practices.

Federal Gramm-Leach-Bliley privacy laws ([15 U.S.C. §§ 6801 et seq.](#) & [6821 et seq.](#)) and *Federal Trade Commission Regulations* ([16 CFR part 313](#) and [16 CFR part 314](#)). These laws provide for the protection of consumer non-public information.