IN THE COURT OF COMMON PLEAS
FRANKLIN COUNTY, OHIO

STATE OF OHIO, *ex rel*. D. ANDREW WILSON, ATTORNEY GENERAL 30 E. Broad St., 14th Floor Columbus, Ohio 43215 Plaintiff, v. CREDIT ACCEPTANCE CORPORATION 25505 West Twelve Mile Rd. Southfield, Michigan 48034 Defendant.	)	CASE NO.: JUDGE: **COMPLAINT AND REQUEST FOR DECLARATORY JUDGMENT, INJUNCTIVE RELIEF, CONSUMER RESTITUTION, CIVIL PENALTIES, AND OTHER APPROPRIATE RELIEF**

Plaintiff, State of Ohio, by and through its counsel, Ohio Attorney General, D. Andrew Wilson, brings this action against Defendant, Credit Acceptance Corporation ("hereinafter, "CAC"), for engaging in unfair or deceptive acts or practices in violation of the Consumer Sales Practices Act ("CSPA"), R.C. 1345.01 et seq.

I. JURISDICTION AND VENUE

1. Plaintiff, State of Ohio, by and through Ohio Attorney General of Ohio, D. Andrew Wilson, having reasonable cause to believe that violations of Ohio's consumer laws have occurred, brings this action in the public interest and on behalf of the State of Ohio under the authority vested in him pursuant to R.C. 1345.07 of the CSPA.

2. The actions of Defendants, hereinafter described, have occurred in the State of Ohio, County of Franklin and various other counties, and as set forth below, are in violation of the CSPA, R.C. 1345.01 et seq.

II. PARTIES

3. Plaintiff, State of Ohio, by and through Ohio Attorney General D. Andrew Wilson, is authorized to enforce Ohio's consumer protection laws.

4. Defendant Credit Acceptance Corporation indirectly finances the sale of used vehicles, vehicle service contracts, and GAP products to subprime or credit invisible borrowers. CAC is incorporated in Michigan and headquartered at 25505 W 12 Mile Road, Southfield, Michigan 48034. Since 2015 or earlier, Defendant has done business in Ohio.

5. For purposes of this Complaint, any references to the acts and practices of Defendant shall mean that such acts and practices are by and through the acts of CAC's officers, members, owners, directors, employees, salespersons, representatives and/or other agents.

6. Defendant is a "supplier" engaged in consumer transactions as those terms are defined in R.C. 1345.01 as Defendant was, at all times relevant herein, operated as a lessor and engaged in the business of effecting or soliciting consumer transactions in Ohio for purposes that were primarily for a consumer's personal, family or household use within the meaning specified in R.C. 1345.01(A), (C), and (D).

III. CAC'S BUSINESS PRACTICES

7. CAC is one of the country's largest publicly traded auto lenders, specializing in the indirect financing of loans to borrowers with impaired credit, including subprime and deep-subprime customers, and credit invisible customers, *i.e.* borrowers without available credit history. Since 2015, CAC has originated millions of auto loans to subprime or credit invisible consumers through a network of more than 12,000 affiliated used-car dealers.

8. For years, CAC has engaged in deceptive, unfair, and abusive business practices when offering subprime auto loans to Ohio consumers by: (i) financing loans that CAC knows, or

should know, consumers are unable to reasonably afford; and (ii) financing the sale of vehicle service contracts ("VSCs") and GAP products with loans when consumers were either unaware they were purchasing the products or were led to believe the products must be purchased to get financing.

A. CAC's Underwriting Model Either Did or Should Have Alerted CAC that Many Consumers Could Not Afford Their Loans Because the Model Is Highly Predictive of Rates of Default, Vehicle Repossession, and Vehicle Auction.

9. CAC's primary underwriting tool is its proprietary "CAC Score." The CAC Score is a number from 0 to 1 that represents the percentage amount the company predicts it will collect on a consumer loan from all sources, including borrower payments, debt collection lawsuits, and repossession auctions. Thus, for example, when CAC attributes a CAC Score of .64 to a loan, CAC predicts that it will collect 64% of the overall value (principal plus interest) of the loan.

10. Unsurprisingly, a consumer's CAC Score is highly correlated with the risk that the consumer's loan will end up in default, vehicle repossession, and vehicle auction. Consumers who received CAC loans with lower CAC Scores (and therefore lower predicted collection rates) have experienced higher rates of default, vehicle repossession, and auction than consumers who received loans with higher CAC Scores (and therefore higher predicted collection rates).

11. The CAC Score model has historically forecast that CAC would collect less than the principal amount of loans to a significant number of CAC's most financially vulnerable consumers (a "Set Up to Fail Loan"). Historically, in any given year, all CAC contracts with the lowest 20% of CAC Scores have been Set Up to Fail Loans.

12. Predictably, a high number of Set Up to Fail Loans result in quick consumer default and vehicle repossession and auction. Between 25-30% are in arrears of 90 days within 12 months; about 70% are in arrears of 90 days within 36 months; over 40% result in repossession within 36

months; and over 50% end up in repossession and auction over the lifetime of the loan. Over 25% of the CAC loans in the bottom 5% of CAC Score have historically resulted in repossession and auction of the relevant vehicle within 18 months of the loan's origination.

13. Exacerbating the issue of consumer loan affordability, analyses of CAC's internal data show that CAC-affiliated dealers mark up the prices of vehicles by a higher amount for lower CAC Score consumers than for higher CAC Score consumers. Increasing the price of a car based on a consumer's credit worthiness is unlawful.

14. CAC tracks and analyzes data points about its consumer loans, including the loan outcomes and the prices dealers charge for their vehicles. CAC therefore was, or should have been, aware that many of the consumers with low CAC Scores to whom CAC provided loans with low CAC Scores could not reasonably have been expected to afford their loans, and that dealers were raising vehicle prices based on consumer credit worthiness. Despite this, CAC continued to originate risky low CAC Score loans including Set Up to Fail loans and has failed to adopt effective processes to prevent dealers from marking up cars based on credit worthiness.

15. Moreover, although CAC generates the CAC Score and uses it to calculate loan terms and dealer compensation for originating the loan before offering consumers financing and loan terms for a vehicle purchase, CAC does not reveal either the CAC Score, or the known risks of loan default to consumers.

16. To the contrary, rather than disclose the high risk of default to its most vulnerable borrowers, CAC advertised its loans as a means for consumers to "improve your credit score," or to "build a better future," when the reality was that the loans CAC gave to many of its consumers were both likely to fail and extremely unlikely to improve the consumers' credit scores.

B. CAC Finances Ancillary Products in CAC Loans that CAC Knew or Should Have Known Were Included Without the Consumer's Affirmative Consent.

17. CAC finances the sales of VSCs and GAP products ("Ancillary Products") with its loans. VSCs can easily cost $2,000 or more, and GAP products can easily cost $1,000 or more.

18. By law, the purchase of Ancillary Products should be optional for consumers. Dealers therefore cannot make the sale of a vehicle, or access to financing, contingent on a consumer's purchase of an Ancillary Product.

19. CAC incentivizes affiliated dealers to sell Ancillary Products by paying dealers both a commission from the sale of Ancillary Products, and, ordinarily, additional compensation for originating loans that include the sale of Ancillary Products.

20. CAC often contractually mandates that, for CAC loans, dealers can only finance Ancillary Products from companies affiliated with CAC, meaning that CAC reinsures the company's Ancillary Products, or has a profit-sharing agreement with the company.

21. Starting around 2015, to further incentivize dealers to sell the products, CAC increased compensation to dealers who finance the sale of Ancillary Products through CAC loans. A dealer could then more easily turn a vehicle sale financed by a CAC loan from a transaction that would not have been profitable for the dealer into a profitable transaction, simply by including Ancillary Product sales.

22. The result of increasing the compensation to dealers was a drastic surge in the sales penetration rate for Ancillary Products financed via CAC loans (i.e. the percentage rate that CAC loans contained Ancillary Product sales). Nationally, the sales penetration rate for VSCs alone went from around 50-60% in 2015-2016, to a near 90% sales penetration rate by 2021.

23. CAC closely tracks the rate at which dealers finance Ancillary Products with CAC loans and provides those statistics to each dealer every month via a "dealer dashboard." By 2021,

it was not uncommon for these "dealer dashboards" to show that even some of CAC's largest affiliated dealerships reported a 100% or near 100% sales penetration rates for VSCs for months, or even years in a row.

24. A 90-100% sales penetration rate for VSC sales, particularly when sold to higher risk and financially strapped borrowers, is a clear red flag that dealers were selling Ancillary Products to consumers without their full knowledge or consent. It is highly improbable that any dealership can consistently sell expensive optional products like Ancillary Products to 100% of financially vulnerable subprime consumers whose loans already showed warning signs that they were not affordable.

25. Consumers confirm that many were unaware they were purchasing the products, did not understand that the products were optional, or were led to believe the products must be purchased to get financing.

26. Moreover, between January 2017 and August 2020, CAC itself received more than one thousand consumer complaints related to Ancillary Products, including complaints that dealers were requiring borrowers to purchase Ancillary Products in order to obtain a CAC loan agreement. CAC also received complaints from borrowers who were unaware that an Ancillary Products was included in their contract and discovered the product only after the transaction was completed.

27. Despite all this, even while CAC's sales penetration rate for Ancillary Products was skyrocketing, rather than increasing its dealer oversight to ensure that the Ancillary Product sales financed via CAC loans were lawful, CAC instead relaxed its oversight processes for preventing dealer misfeasance related to Ancillary Product sales.

IV. PLAINTIFF'S CAUSE OF ACTION: VIOLATIONS OF THE CSPA

28. Plaintiff incorporates by reference, as if completely rewritten herein, the allegations

set forth in the preceding paragraphs of this Complaint.

29. While engaged in trade or commerce, CAC has committed unfair or deceptive or unconscionable acts and practices by:

a. Unfairly, deceptively, and abusively extending credit to consumers who CAC knew, or should have known, had no reasonable probability of being able to repay;

b. Failing to disclose to consumers that they were obtaining credit on terms that were likely to cause failure; and

c. Encouraging and turning a blind eye to the unfair, deceptive, and abusive sale of Ancillary Products to consumers.

30. The above acts and practices constitute unfair or deceptive acts or practices as prohibited by R.C. 1345.02(A) and, unconscionable acts or practices prohibited by R.C. 1345.03(A), including, without limitation:

a. Representing that the subject of a consumer transaction has sponsorship, approval, performance characteristics, accessories, uses, or benefits that it does not have in violation of R.C 1345.02(A) and (B)(1);

b. Representing that a specific price advantage exists, if it does not, in violation of R.C. 1345.02(A) and (B)(8);

c. Knowingly taking advantage of the inability of the consumer reasonably to protect the consumer's interest because of the consumer's inability to understand the agreement, as set forth in R.C. 1345.03(B)(1); and

d. Knowing at the time the consumer transaction was entered into that there was no reasonable probability of payment of the obligation in full by the consumer, as set forth in R.C. 1345.03(B)(4).

31. The acts or practices described above have been previously determined by Ohio courts to violate the CSPA, R.C. 1345.01 et seq. Defendant committed said violations after such decisions were available for public inspection pursuant to R.C. 1345.05(A)(3).

PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully requests that this Court:

A. Adjudge and decree that the Defendant has engaged in acts or practices in violation of the CSPA, R.C. 1345.01 et seq.

B. Permanently enjoin and restrain the Defendant from engaging in unfair or deceptive consumer sales practices set forth herein and from violating the CSPA, R.C. 1345.01 et seq. and its Substantive Rules, Ohio Adm.Code 109:4-3-01 et seq.

C. Adjudge and decree that the Defendant is liable to the Ohio Attorney General's Office for the reasonable costs and expenses of the investigation and prosecution of the Defendant's actions.

D. Pursuant to R.C. 1345.07(D), assess, fine and impose upon the Defendant a civil penalty of $25,000.00 for each unfair or deceptive or unconscionable act or practice alleged herein.

E. Order Defendant to pay all costs in this matter.

F. Grant Plaintiff such other and further relief as this Court deems just, equitable and appropriate.

Franklin County Ohio Clerk of Courts of the Common Pleas- 2026 Sep 17 10:26 AM-26CV008695

Respectfully Submitted,

D. ANDREW WILSON
Ohio Attorney General

s/ Teresa A. Heffernan

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