

# State AGs and CFPB Stop Tempoe's Rhythm

Paul L. Singer, Abigail Stempson, Beth Bolen Chun

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A bipartisan coalition of 42 Attorneys General, led by Iowa, Nebraska, and Tennessee, and the Consumer Financial Protection Bureau (CFPB) [announced](#) a \$35 million [settlement](#) with Tempoe LLC, a specialty consumer finance company. The multistate settlement resolves claims that the company's marketing sales practices misled consumers that they signed up for an installment plan or credit sale to purchase personal goods and services, when in fact they ended up leasing the items.

As part of its business model, Tempoe leased a variety of goods to consumers like furniture and appliances, but also goods and services that one might not normally think of in a lease – such as car parts and repairs as well as toys. The company offered their lease options after a consumer applied and was rejected for conventional financing through the retailer, and as a result the states alleged consumers were misled that they were entering into installment contracts or credit sales. States also alleged Tempoe's leasing agreements had a complicated structure. Consumers made periodic payments for an initial term of five months. If the consumer did not affirmatively tell the company they wanted to purchase or return the product, Tempoe would auto-debit the consumers for the full month-to-month term of the contract which was typically 18 to 36 months. Confused consumers ultimately ended up having to pay double or triple the typical purchase price of the product or service, State AGs claimed.

Tempoe's leasing agreements also allegedly lacked disclosures required by Regulation M, which implements the Consumer Leasing Act. The company did not provide some consumers with a copy of their lease agreement until after the transaction. Consequently, some consumers had to rely on oral descriptions from employees. Tempoe also trained its employees to avoid calling the product a "lease."

States also claimed the company had complex return requirements. If a consumer wanted to cancel their lease agreement after the first 30 days, but within the initial five-month term, the consumer had to return the product to Tempoe. However, the company did not accept the returns of many items, including products that were less than \$300. Instead of going through the hassle of returning, consumers would exercise the "purchase option" on the lease even though they ended up paying more than the original price due to the high leasing fees.

Tempoe entered into over 1.8 million financial agreements and generated approximately \$192 million in revenue from about 325,000 consumers between 2015 and 2022. In addition to the provisions below, Tempoe must pay an additional \$1 million to the states participating in the settlement, and another \$1 million to the CFPB.

The settlement also includes injunctive provisions that:

- Permanently bans Tempoe from engaging in future consumer leasing activities as well as cancelling all existing leases.
- Permits consumers to keep any leased merchandise regardless of the status of their account with Tempoe, and without having to make any further payments (an in-kind financial relief estimating \$33 million nationwide).
- Prohibits the company from providing any negative information regarding consumers to any consumer reporting agency.

**Biggest Takeaways:** State AGs and the CFPB continue to collaborate on multistates with restitution provisions uniquely tailored to the alleged consumer injuries. This collaboration leads to varied allegations as the CFPB can enforce different laws than states such as the Consumer Lending Law.

Additionally, it's important to note what consumers are expecting –the more a product or service is out of the ordinary, the more disclosures are needed. In Tempoe's case, their simple disclosures were not enough to cure the expectations of consumers who are unlikely to expect that some of the types of goods they were "purchasing" were actually only leased. We're seeing this expectation all throughout regulator enforcements, particularly in the AI space where State AGs have [emphasized](#) the importance of businesses being clear and transparent about the complexities of how they are using AI in consumer products and services.

To learn more about enforcement priorities throughout the state attorneys general landscape, join us for our upcoming webinar with the New Hampshire Attorney General on October 19.