

OCCC CASE NO. L18-00164

IN THE MATTER OF: MASTER FILE NO. 6108 STADIUM AUTO INC. 624 N. WATSON RD. ARLINGTON, TEXAS 76011	§ § § § § §	BEFORE THE OFFICE OF CONSUMER CREDIT COMMISSIONER STATE OF TEXAS
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ORDER TO CEASE UNREGISTERED ACTIVITY AND TO MAKE RESTITUTION

The Office of Consumer Credit Commissioner (“OCCC”) issues this injunctive Order to Cease Unregistered Activity and to Make Restitution against Stadium Auto Inc. (“Stadium Auto”), based on the violations of law described below.¹

Statement of Facts and Law

Stadium Auto previously held two motor vehicle sales finance licenses issued by the OCCC under Chapter 348 of the Texas Finance Code under master file number 6108 and license numbers 37568 and 48835. Stadium Auto’s designated contact address is 624 N. Watson Rd., Arlington, Texas 76011. Its compliance officer is Sasha Rahmati, and its director is Hassan Rahmati.² On July 31, 2018, Stadium Auto’s licenses expired due to Stadium Auto’s failure to pay the annual license renewal fee.

Under Chapter 345 of the Texas Finance Code, a person must hold a registration in order to act as a holder of a retail installment contract for services.³ For the purposes of this requirement, services include a maintenance contract, a service contract, or a warranty.⁴ A holder is a person who operates as a retail

¹ Tex. Fin. Code § 14.208.

² In August 2018, Hassan Rahmati was convicted of conspiracy to commit money laundering. Judgment, *United States of America v. Hassan Rahmati*, Case No. 4:17-cr-00095-A (N.D. Tex. Aug. 2, 2018). The U.S. attorney alleged that Mr. Rahmati accepted proceeds of the manufacture or distribution of controlled substances as payment for used cars sold by Stadium Auto. Information, *United States of America v. Hassan Rahmati*, Case No. 4:17-cr-00095-A (N.D. Tex. May 30, 2017). Mr. Rahmati was incarcerated and is due to be released from prison in July 2020.

³ Tex. Fin. Code §§ 345.001(2), 345.351(a).

⁴ Tex. Fin. Code § 345.003(b)(2).

seller, or holds and collects on a contract in which the person agrees to accept a cash price in one or more deferred installments.⁵

Under Chapter 345, applicable statutes and principles of common law apply to a retail installment transaction.⁶ Under Texas case law, if a person breaches a contract, then the person is liable for damages of the breach.⁷

Stadium Auto is not registered or otherwise authorized to act as a holder of retail installment contracts for the sale of services under Chapter 345 of the Texas Finance Code.

Texas Line 5, LLC (“Line 5”) is a registered creditor under Chapter 345 of the Texas Finance Code. Line 5 provides financing for warranties, vehicle protection plans, and other ancillary motor vehicle products. These products include service agreements that provide tire and wheel replacement, dent and ding repair, windshield repair, and roadside assistance. Line 5 accepts assignment of retail installment contracts in which buyers agree to purchase these products and agree to pay the price over time. Because the retail installment contracts are assigned to Line 5, the buyers are obligated to pay the price over time to Line 5. Under the service agreements for these products, buyers will receive a full or prorated refund if they request cancellation from the selling dealer.

In November 2016, Line 5 entered a dealership participation agreement with Stadium Auto. Under the participation agreement, Line 5 appointed Stadium Auto as a non-exclusive dealer for Line 5’s financing services. Stadium Auto agreed that all orders would be in the form of a Line 5 installment contract, and would be subject to Line 5’s approval. Stadium Auto agreed that if a buyer cancelled a contract, Stadium Auto would be responsible to reimburse a prorated amount to Line 5. In the event of a cancellation, Stadium Auto had a responsibility to make refunds on behalf of buyers, to pay off amounts that buyers owed to Line 5.

In December 2017, Line 5 submitted a complaint against Stadium Auto to the OCC. Line 5 alleged that Stadium Auto had failed to pay refunds to Line 5

⁵ Tex. Fin. Code § 345.001(2).

⁶ Tex. Fin. Code § 345.008(b).

⁷ *Mead v. Johnson Grp., Inc.*, 615 S.W.2d 685, 687 (Tex. 1981).

after buyers canceled products financed by Line 5. Line 5 alleged that Stadium Auto's failure to send refunds was compromising the credit of buyers. Line 5 also alleged that "[m]any of the consumers involved claim that they are unaware of signing up for an installment loan with us and do not recall purchasing a warranty from the dealer."

In December 2017, the OCCC initiated an investigation of Stadium Auto, based on Line 5's complaint. The OCCC found that Stadium Auto had entered retail installment contracts with buyers, listing Stadium Auto as the seller and Line 5 as the assignee, to purchase protection products with coverage for tire and wheel replacement, dent and ding repair, windshield repair, and roadside assistance. These retail installment contracts were separate from Stadium Auto's retail installment contracts to purchase motor vehicles. The OCCC also determined that Stadium Auto had failed to pay prorated refunds to Line 5 as required by the participation agreement. In February 2018, the OCCC instructed Stadium Auto to provide refunds as required by the participation agreement, and to provide the OCCC with proof of each refund by March 23, 2018. Stadium Auto has not provided any proof of refunds to the OCCC.

By entering retail installment contracts for the sale of services without a registration, Stadium Auto violated Chapter 345 of the Texas Finance Code. By failing to pay refunds to either buyers or Line 5, Stadium Auto breached the dealer participation agreement. These violations resulted in injury to buyers, because of Stadium Auto's failure to pay off amounts that the buyers owed.

Authority

If the Commissioner has reasonable cause to believe that a person is violating Chapter 345 of the Texas Finance Code, the Commissioner may issue an order to cease and desist from the violation, an order to take affirmative action, or both to enforce compliance.⁸ Additionally, the Commissioner may order a person who violates Chapter 345 or a rule adopted under Chapter 345 to make restitution to an identifiable person injured by the violation.⁹

⁸ Tex. Fin. Code § 14.208(a).

⁹ Tex. Fin. Code § 14.251(b).

Order

IT IS ORDERED that:

1. Stadium Auto must cease and desist engaging in unregistered activity under Chapter 345 of the Texas Finance Code.
2. Stadium Auto must cease and desist failing to make refunds required under any dealer participation or any other agreement relating to a retail installment transaction.
3. **No later than August 20, 2019**, Stadium Auto must perform a self-review of retail installment transactions and send all refunds to Line 5 on behalf of buyers, in accordance with the dealer participation agreement between Line 5 and Stadium Auto.
4. **No later than August 20, 2019**, Stadium Auto must create a spreadsheet titled "L18-00164StadiumAutoRestitution." The spreadsheet must list each buyer for whom Stadium Auto sent a refund to Line 5 as described above. The spreadsheet must include a row for each buyer and the following columns:
 - a. account number;
 - b. name of retail buyer;
 - c. date of the retail installment contract for Line 5 product;
 - d. dollar amount charged to buyer for Line 5 product;
 - e. dollar amount refunded;
 - f. date of the refund.
5. **No later than August 20, 2019**, Stadium Auto must send a copy of the spreadsheet by e-mail to Matthew Nance at matthew.nance@occc.texas.gov.
6. Stadium Auto must maintain complete and accurate records of all refunds, including copies of refund checks, until the latest of the following:
 - a. the fourth anniversary of the date of the retail installment contract;
 - b. the second anniversary of the date of the refund;

- c. the second anniversary of the date on which the final entry is made in the buyer's record.

Violation of Order

If you violate this Order, the OCCC may impose an administrative penalty of up to \$1,000 per day.¹⁰

Right to Request Hearing

You have the right to request a hearing regarding this Order.¹¹ Your request must be made in writing and sent to the OCCC not later than 30 days after you receive this Order. You must send your request to:

Matthew Nance
Deputy General Counsel
Office of Consumer Credit Commissioner
2601 N. Lamar Blvd.
Austin, Texas 78705

If you request a hearing, a hearing on this matter will be set and conducted in accordance with Chapter 2001 of the Texas Government Code.¹² If you fail to request a hearing by this deadline, this Order is considered final and enforceable.¹³

All communications with the OCCC concerning this matter must be through Matthew Nance, Deputy General Counsel. You may contact him by mail at 2601 N. Lamar Blvd., Austin, Texas 78705, by telephone at (512) 936-7660, or by email to matthew.nance@occc.texas.gov.

Signed this 12th day of July, 2019.

/s/ Leslie Pettijohn
Leslie L. Pettijohn
Consumer Credit Commissioner
State of Texas

¹⁰ Tex. Fin. Code § 14.208(c).

¹¹ Tex. Fin. Code § 14.208(b).

¹² Tex. Fin. Code § 14.208(b).

¹³ Tex. Fin. Code § 14.208(c).

CERTIFICATE OF SERVICE

I certify that on July 12, 2019, a true and correct copy of Order to Cease Unregistered Activity and to Make Restitution has been sent to Stadium Auto Inc. by the following:

Stadium Auto Inc.
Attn: Sasha Rahmati, Compliance Officer
624 N. Watson Rd.
Arlington, TX 76011
sasha@stadiumautotexas.com

- hand-delivery
- facsimile
- electronic mail
- first class mail
- certified mail, return receipt requested
#91 7199 9991 7037 5193 4036

Stadium Auto Inc.
Attn: Sasha Rahmati, Registered Agent
1400 Hi Line Dr. Apt. 901
Dallas, TX 75207

- hand-delivery
- facsimile
- electronic mail
- first class mail
- certified mail, return receipt requested
#91 7199 9991 7037 5193 4043

/s/ Matthew Nance
Matthew Nance
Deputy General Counsel
Office of Consumer Credit Commissioner
State Bar No. 24074794
2601 North Lamar Blvd.
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