

In re DFC Global Corp. Securities Litigation

COURT: United States District Court for the Eastern District of Pennsylvania
CASE NUMBER: 2:13-cv-06731-BMS
CLASS PERIOD: 01/28/2011 - 02/03/2014
CASE LEADERS: Hannah Ross, John Rizio-Hamilton, Katherine M. Sinderson

Lead Plaintiffs Settle the Action for \$30 Million

Lead Plaintiffs, the Arkansas Teacher Retirement System, Macomb County Employees Retirement System, and Laborers' District Council and Contractors' Pension Fund of Ohio, on behalf of themselves and the Class, have reached a settlement of the Action for \$30,000,000 in cash that resolves all claims in the Action.

On September 20, 2017, the Court entered a Judgment approving the Settlement as fair, reasonable and adequate, and entered orders approving the Plan of Allocation for the proceeds of the Settlement, and approving Co-Lead Counsel's motion for attorneys' fees and reimbursement of expenses.

The Class consists of:

all persons and entities who purchased or otherwise acquired DFC Global Corp. common stock during the period from January 28, 2011 through February 3, 2014, inclusive (the "Class Period"), and were damaged thereby, except for certain persons and entities who are excluded from the Class by definition (see paragraph 27 of the [Notice](#)).

Please read the [Notice](#) to fully understand your rights and options. A Copy of the Notice can be found on the **Case Documents** page. You may also visit the Settlement website, www.DFCGlobalSecuritiesLitigation.com, for more information about the Settlement.

The claims administration was completed in October 2018. On November 21, 2018, the Motion for Approval of Distribution Plan was filed. On November 27, 2018, the Court entered the Order Approving the Distribution Plan. The first distribution of the net settlement fund occurred in February 2019. The second distribution occurred in March 2022. The third distribution occurred in January 2024.

Background

This action was first filed on November 20, 2013 against DFC Global and certain of the Company's senior executives. On April 10, 2014, Judge Berle M. Schiller appointed Arkansas Teacher Retirement System, the Macomb County Employees Retirement System, and the Laborers' District Council and Contractors' Pension Fund of Ohio as Lead Plaintiffs, and appointed BLB&G and Barrack, Rodos & Bacine as Lead Counsel. On July 21, 2014, Lead Plaintiffs filed a consolidated class action complaint asserting claims pursuant to Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 ("Securities Act") arising from the Company's secondary offering of common stock conducted on April 7, 2011.

DFC Global is a payday lending company that offers short-term loans to low-income borrowers. The Company derives approximately 50% of its revenue from the United Kingdom ("U.K."), which requires all payday lenders to adhere to strict regulatory requirements. Such requirements include performing an affordability assessment on all borrowers, as well as restricting the number of times a loan can be rolled over. Throughout the Class Period and/or in the offering materials for the Company's April 2011 secondary offering, DFC Global misrepresented to investors that it complied with government regulations and guidance with regard to U.K. irresponsible lending practices, and

that the Company made “prudent,” “conservative,” and “responsible” underwriting decisions when making loans. The Company also knowingly misrepresented its loan loss reserves and issues false financial statements throughout the Class Period.

In truth, the Company: (i) systematically issued high-fee predatory loans to consumers that had no reasonable means to be repaid; (ii) continuously rolled over or refinanced its loans in order to delay or avoid defaults; (iii) failed to conduct adequate affordability assessments on its customers; and as a result (iv) failed to comply with industry regulations and guidance. DFC Global also (v) understated its loss reserves; and (vi) issued fraudulent earnings guidance because it was dependent upon the Company’s improper lending practices.

On April 1, 2013, the Company preannounced results for its third quarter of 2013 that were seriously impacted by poor loan performance. Specifically, the Company announced that a new U.K. limitation on the amount of times a loan could be rolled over caused a significant number of DFC Global’s loans to become immediately due and default. The Company as a whole experienced a loss rate of above 25%, and a loss rate of approximately 35% in the U.K. Because of the spiking loss rates, the Company also slashed its fiscal year 2013 earnings per share guidance from \$2.35-\$2.45 per share to \$1.70-\$1.80 per share. On this news, the price of the Company’s stock dropped from \$16.64 per share to \$13.04 per share, or almost 22%.

Then, on August 22, 2013, DFC Global announced earnings for its fourth quarter of 2013 during which it again reported soaring loan defaults in the U.K. with the Company’s loan loss provision increasing to 25.7%. Additionally, DFC Global disclosed that it expected to incur a recurring \$10-\$15 million of expenses for regulatory, legal, audit, and compliance-related costs relating to its payday lending program. DFC Global’s losses in the U.K. were so severe that the Company was unable to provide earnings per share guidance for fiscal 2014. This news caused the price of DFC Global stock to drop from \$15.90 per share to \$11.31 per share, or almost 29%.

Defendants filed motions to dismiss the consolidated class action complaint on October 3, 2016. Briefing on Defendant’s motions to dismiss was completed on January 20, 2015, and on June 16, 2015, Judge Schiller denied Defendants’ motions to dismiss in all respects.

The Court certified the Class, defined above, on August 4, 2016.

Case Documents

- November 27, 2018 - Order Approving Distribution Plan
- Notice of (I) Pendency of Class Action and Proposed Settlement; (II) Settlement Fairness Hearing; and (III) Motion for an Award of Attorneys’ Fees and Reimbursement of Litigation Expenses
- September 20, 2017 – Memorandum Decision Approving Settlement and Motion for Attorneys’ Fees and Expenses
- September 20, 2017 – Judgment Approving Class Action Settlement
- September 20, 2017 – Order Granting Lead Plaintiffs’ Proposed Plan of Allocation
- September 20, 2017 – Order Granting Co-Lead Counsel’s Motion for an Award of Attorneys’ Fees and Reimbursement of Litigation Expenses
- March 8, 2017 - Order Preliminarily Approving Settlement and Providing for Notice

- March 1, 2017 - Stipulation and Agreement of Settlement
- August 4, 2016 – Memorandum Granting Lead Plaintiffs’ Motion for Class Certification
- August 4, 2016 – Order Granting Lead Plaintiffs’ Motion for Class Certification
- June 16, 2015 – Memorandum Denying Defendants’ Motions to Dismiss
- July 21, 2014 - Consolidated Class Action Complaint
- November 11, 2013 - Complaint for Violations of the Federal Securities Laws