The Virgin Islands Consortium

St. Croix Company Accused Of Ripping Off Customers

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From offices in a red-shuttered building across from an old Danish fort in St. Croix, Cane Bay's programmers, marketers and data analysts run payday-loan websites, former employees said.

A St. Croix Economic Development Authority (EDA) company has been accused of making millions of dollars a month in small loans to financially strapped people, charging more than 600 percent in interest a year.

According to an article on Bloomberg, Cane Bay Partners VI LLLP built a network of payday-lending websites, using corporations set up in Belize and St. Croix, U.S. Virgin Islands, "that obscured their involvement and circumvented U.S. usury laws," citing four former employees of Cane Bay Partners, who asked not to be identified for fear of retaliation.

About a year-and-a-half ago, venerable U.S. firm Vector Capital bought into Cane Bay Partners; however, Vector Capital hid the investment from its investors, according to one ex-Vector employee.

While many U.S. states have been cracking down on payday loan companies, the Virgin Islands EDA benefits package includes incentives that lure not only companies with good intentions to the Virgin Islands, but also those that seek to make fast money by taking advantage of loan applicants.

Jim DePriest, deputy attorney general of Arkansas, has been cracking down on payday loans through means of internet lending, and one of the websites he found to be processing illegal loans was CashYes.com. A borrower told DePriest's department that CashYes.com had been calling her to collect more money after she had already paid $3,193.75 on a $775 loan. But while he was able to stop CashYes.com's operations in Arkansas after sending a cease and desist letter, DePriest could not track the company past its Belizean parent, Hong Kong Partners Ltd.

“We haven’t been able to really track down CashYes yet,” DePriest said. “If we can pin down who they are, the individuals, we’ll go after them. If we can find them, we can serve them and we can sue them. And that’s what we do.”

In 2009, David Johnson, Kirk Chewning and Richard Clay set up Cane Bay, Virgin Islands' corporate records show, taking advantage of EDC incentives that offer as much as 90 percent off corporate and personal income taxes. And in a red-shuttered building across from an old Danish fort in Frederiksted, CashYes.com, CashJar.com and at least four other payday-loan websites operate, according to the former employees.

Cane Bay registers the domains, designs the websites, approves the loans and analyzes the returns to adjust algorithms, the former employees further revealed.

The loans were made by companies incorporated in Belize, a Central American country that allows foreigners to set up entities that don’t pay local taxes or disclose ownership. When a state barred one site, Cane Bay would direct customers to another, according to the former employees.

The ex-employees said Cane Bay had no business other than running the payday-loan websites, and that Johnson and Chewning directed operations for all of them.

Late-night television ads featuring former talk show host, Montel Williams supplied customers, the ex-employees said. The company that runs the ads, MoneyMutual, does not make loans. Instead, when people fill out applications, their names and data are fed into an electronic auction system called a ping tree. Lenders have seconds to decide whether to buy their information. The best leads sell for more than $100.

Johnson signed contracts with a MoneyMutual affiliate on behalf of CashYes.com and CashJar.com, according to Jeffrey Wilens, a Yorba Linda, California-based lawyer who discovered the documents when he sued MoneyMutual and Williams in 2013 for conspiring to make illegal loans. He expanded the lawsuit to include Cane Bay.

Living the High Life on St. Croix

More than 150 other customers said in Federal Trade Commission complaints that debt collectors calling for CashJar.com and CashYes.com harassed them. One borrower said in an interview that CashJar.com called her boss, posing as a police officer. Another said in a complaint that the company called her sister and said she was a "slut."

Gina Smith, 42, a legal secretary in Mount Vernon, New York, a state where charging more than 25 percent is a crime, said she borrowed about $500 three years ago from CashJar.

“My clients call me in tears because of these payday lenders,” said Charles Juntikka, the bankruptcy lawyer in New York who represented Smith. “I have to tell them you don’t go to jail over debts in America.”

According to the former employees, Johnson wears flip-flops and khaki shorts in the office, while Chewning, who handles day-to-day operations, likes to watch Fox News in the kitchen, often complaining about President Barack Obama.

Johnson is well-known on St. Croix because of participation in fishing tournaments and the annual Christmas boat parade, sporting a 65-foot yacht named "Living the Dream," according to the event's website.

Margaret Witten, general counsel for the Georgia Department of Insurance said that Cane Bay’s founders have tangled with state regulators for more than a decade. Clay, 51, had run a chain of payday-loan stores called USA Payday Cash Advance Centers. His green-and-yellow signs, with a dollar sign in place of the 'S' in USA, were ubiquitous in poor neighborhoods in Atlanta about a decade ago.

The former Cane Bay employees said they hadn’t seen Johnson at the office in the past year, and Clay did not respond to e-mailed questions from VI Consortium. Ronn Torossian, a Cane Bay spokesperson based in New York, said he did not represent the co-founder.