C A D W A L A D E R

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## CFPB Takes Down High-Yield Savings Account Scam, Defendants Also Charged By the SEC

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The Consumer Financial Protection Bureau ("CFPB") announced a proposed consent order on December 1 intended to address a scam engaged in by a company called Loan Doctor, as well as by the company's founder, Edgar Radjabli.

Loan Doctor purported to offer high-yield savings accounts into which customers could deposit funds and be assured not only of insurance coverage but also of obtaining an annual-percentage-yield (APY) on the amounts in the range of 5% to 6.25%. Director Chopra succinctly characterized the conduct: "Loan Doctor and its founder masqueraded as a traditional bank to open accounts for people seeking a high-yield savings product. In reality, this outfit and its ringleader were using customer funds for risky investments."

Since August 2019 at least 400 individuals put millions of dollars into a product called "Loan Doctor's Healthcare Finance Savings CD," with the belief that their deposits would be used to fund loans to healthcare professionals. Instead, the funds were placed into any of the following: a hedge fund controlled by Radjabli called Apis Capital Management, LLC; used to purchase crypto-assets; invested in actively traded securities; and loaned to investors who used their individual stock portfolios as collateral for the loans.

In a case related to the CFPB's investigation, the Securities & Exchange Commission ("SEC") got involved in stopping some of the conduct in August 2021, but the SEC was focused on additional violative behavior by Radjabli, Loan Doctor and the hedge fund. This included fraudulent issuance of Apis Tokens, a digital asset representing tokenized interest in the company's main investment fund, as well as market manipulation by announcing an unsolicited cash tender offer to purchase a publicly-traded artificial intelligence company called Veritone, when in truth, the SEC explained that there was no "financing or any reasonable prospect of obtaining the financing necessary to complete the deal." In sum, the defendants have been ordered to refund $19MM to approximately 400 depositors (which sum includes 6% APY on the so-called deposits), as well as $162,800 in disgorgement to the SEC, and an additional $419,330 of civil penalties to the SEC, and $150,000 of civil penalties to the CFPB. In addition Radjabli is permanently barred from the securities industry and from engaging in deposit taking activities.