

# Connecticut Stops FinTech from Unlicensed Lending Activities

Article By:

Moorari Shah

A.J. S. Dhaliwal

Pouneh Almasi

---

On May 4, the Connecticut Department of Banking issued a temporary cease and desist [order](#) directing a peer-to-peer lending platform that connected borrowers with third-party lenders to cease its lending-related activities on grounds that it was operating as an unlicensed small loan company. The FinTech company was also cited for operating as an unlicensed consumer collection agency, and for engaging in deceptive acts or practices under consumer protection laws.

Under Connecticut law, it is unlawful to engage in the “offering, soliciting, brokering, directly or indirectly arranging, placing or finding a small loan for a prospective Connecticut borrower, without the required license” unless otherwise exempt under statute. The order cited several aspects of the company’s business model showing the extent of its involvement and control over the loan transactions on its platform, including:

- encouraging and recommending consumers to offer two proposed monetary “tips”—one to the lender and one to the fintech company of a certain percentage to increase their chances of loan approval
- providing the form promissory note and Truth in Lending Disclosures
- assigning borrowers proprietary scores to assist lenders assessing creditworthiness
- requiring payment of the company tip before allowing borrowers to receive loan funds
- prohibiting lenders from communicating directly with borrowers

The Connecticut regulator cited ways in which the company also acted as a consumer collection agency, including: requiring lenders to collect on delinquent loans through the company or third-party consumer collection agencies contracted by the company; charging delinquency fees and other fees

for its collection efforts; sending payment reminders to consumers with delinquent loans; and referring accounts to collection agencies after the delinquency period.

The Department also found that the company violated state and federal consumer protection laws by misrepresenting information in connection with the loans, such as the APRs in its loan disclosures.

**Putting It Into Practice:** FinTech companies offering loan-related services should ensure that their activities do not implicate state licensing requirements, or otherwise obtain the required licenses in advance. Even if a company does not provide funding for the loan, a company's activities can still fall under a state's loan company licensing requirements. Companies transacting with consumers should also monitor state and federal consumer protection laws to ensure full and accurate disclosures are provided.

Copyright © 2025, Sheppard Mullin Richter & Hampton LLP.

---

National Law Review, Volume XII, Number 158

Source URL: <https://natlawreview.com/article/connecticut-stops-fintech-unlicensed-lending-activities>