

PAWNSHOP AND PAWNSHOP EMPLOYEE ADMINISTRATIVE ACTION REPORT

September 1, 2017 – August 31, 2018

Overview

The OCCC has approximately 1,271 pawnshop licensees and 7,023 pawnshop employee licensees. During FY 2018, the OCCC issued 32 orders against pawnshops and 34 orders against pawnshop employees.

For pawnshops, the most common violation was employing an individual as a pawnshop employee for more than 75 days without the individual holding or applying for a pawnshop employee license. Of the 32 orders issued against pawnshops in FY 2018, 22 were for violation of the 75-day rule, seven were for late annual reports, two were for failure to allow redemption of pledged items by mail, and one was for inadequate description of goods.

For pawnshop employees, the most common violation was working as a pawnshop employee for more than 75 days without holding or applying for a license. Of the 34 orders issued against pawnshop employees, 31 were for violation of the 75-day rule, and three were for failure to monitor or identify stolen goods.

This report summarizes the statutes and rules that apply to the most common pawnshop and pawnshop employee violations. The report also describes the typical enforcement action taken by the OCCC to address each type of violation.

I. PAWNSHOP ACTIONS

Violation of Pawnshop Employee 75-Day Rule

Texas law prohibits a pawnshop from employing an individual as a pawnshop employee for more than 75 days without the individual holding or applying for a pawnshop employee license.¹

¹ Section 371.101(c) of the Texas Finance Code.

In FY 2018, the OCCC initiated 22 enforcement actions against pawnshops for violating the pawnshop employee 75-day rule. In 20 of these actions, the OCCC issued an injunctive order for a first-time violation. Two pawnshops were issued administrative penalties for a repeat violation.

Untimely Annual Report

Texas law requires a pawnshop to file an annual report with the OCCC.² The annual report must provide certain information in a format prescribed by the OCCC and in accordance with the OCCC's instructions.³ The OCCC's 2016 annual report instructions specified a deadline of June 1, 2017 to file the report.⁴

In FY 2018, the OCCC initiated seven enforcement actions against pawnshops for failing to timely file their annual report. In six of these actions, the OCCC issued an injunctive order for a first-time reporting violation. One pawnshop was assessed an administrative penalty for a repeat violation.

Inadequate Description of Pledged Goods

Texas law requires pawnshops to fully and accurately describe pledged goods.⁵ The goods must be accurately and fully described including any identifying marks such as the item type, brand, make, model number, engraving, inscriptions, color, size, length, unique marking, and design.⁶

In FY 2018, the OCCC issued one injunctive order against a pawnshop for failing to adequately describe pledged goods.

Refusal to Redeem Pledged Items through Mail

Texas law requires pawnshops allow pledgors to redeem their pledged goods by mail.⁷

In FY 2018, the OCCC resolved a dispute involving the redemption of a pledged good by mail. A consumer was unable to redeem 2 pledged items from a pawn

² Section 371.201 of the Texas Finance Code; Title 7, Section 85.502 of the Texas Administrative Code.

³ Title 7, Section 85.502 of the Texas Administrative Code.

⁴ Pawnshop Annual Report Instructions available at: <http://occc.texas.gov/industry/pawnshops-and-pawn-employees/annual-reports>.

⁵ Section 371.157(4) of the Texas Finance Code.

⁶ Title 7, Section 84.405(e) of the Texas Administrative Code.

⁷ Section 371.166 of the Texas Finance Code; Title 7, Section 85.413 of the Texas Administrative Code.

shop. The pawn shop stated that their license and transactions had been transferred to a new entity. The OCCC initiated action against the pawnshop as well as the pawn shop's compliance officer for failing to allow a consumer to redeem their pledged items by mail. The OCCC issued orders requiring the pawn shop and compliance office to return the pledged goods to the consumer, provide the OCCC with a spreadsheet of any outstanding transactions that were not transferred the new entity with the pawn license, and to cease and desist from engaging in any future pawn transactions.

II. PAWNSHOP EMPLOYEE ACTIONS

Violation of Pawnshop Employee 75-Day Rule

Texas law prohibits a person from working as a pawnshop employee for more than 75 days without the person holding or applying for a pawnshop employee license from the OCCC.⁸

In FY 2018, the OCCC initiated 31 enforcement actions against pawnshop employees for violating the 75-day rule. In all 31 of those enforcement actions, the OCCC issued an injunctive order for a first-time violation.

Acceptance of Stolen Goods

Texas law prohibits pawnshop employees from receiving goods that are clearly owned by a third party, either through markings, or defacing any serial numbers.⁹

In FY 2018, the OCCC initiated three enforcement actions against pawnshop employees for accepting clearly-identifiable stolen goods. In all three of these enforcement actions, the OCCC issued an injunctive order for a first-time violation.

⁸ Section 371.101(a) of the Texas Finance Code.

⁹ Section 371.181 of the Texas Finance Code; Title 7, Sections 85.405 and 85.418 of the Texas Administrative Code.