STATE OF MINNESOTA	DISTRICT COURT
COUNTY OF HENNEPIN	FOURTH JUDICIAL DISTRICT
	Case Type: Other Civil (Consumer Protection)

State of Minnesota, by its Attorney General, Keith Ellison,

Plaintiff,

vs.

Credit Acceptance Corporation,

Defendant.

Court File No. __________

COMPLAINT

The State of Minnesota, by its Attorney General, Keith Ellison, for its Complaint against Defendant Credit Acceptance Corporation alleges as follows:

INTRODUCTION

1. Credit Acceptance Corporation has engaged in deceptive, unfair, and unconscionable business practices when offering subprime auto loans to Minnesota consumers by: (1) financing loans that CAC knows, or should know, consumers are unable to reasonably afford and (2) financing the sale of vehicle service contracts ("VSCs") and GAP products with loans when consumers were either unaware they were purchasing the products, or were led to believe the products must be purchased to get financing. The Attorney General brings this action to enforce the law, stop CAC's fraudulent practices, and obtain full relief for CAC's customers, among other remedies.

PARTIES

2. Keith Ellison, the Attorney General of the State of Minnesota, is authorized under Minnesota Statutes chapter 8 and has common law authority, including *parens patriae* authority,

to bring this action to enforce Minnesota's laws, to vindicate the State's sovereign and quasi-sovereign interests, and to remediate all harm arising out of—and provide full relief for—violations of Minnesota's laws.

3. Defendant Credit Acceptance Corporation ("CAC") indirectly finances the sale of used vehicle sales, vehicle service contracts, and GAP products to subprime or credit invisible borrowers (*i.e.* borrowers without available credit history). CAC is incorporated in Michigan and headquartered at 25505 W 12 Mile Road, Southfield, Michigan 48034. Since at least 2015, CAC has conducted business in Minnesota.

JURISDICTION AND VENUE

4. This Court has subject matter jurisdiction over this action pursuant to Minnesota Statutes sections 8.01, 8.31, 8.32, 325D.44, and 325F.69.

5. The Court has personal jurisdiction over CAC because it has transacted business within Minnesota and has committed acts in Minnesota in violation of Minnesota law that has caused injury to Minnesota residents.

6. Venue in Hennepin County is proper under Minnesota Statutes section 542.09 because the cause of action arose, in part, in Hennepin County.

BACKGROUND

7. CAC is one of the country's largest publicly traded auto lenders, specializing in the indirect financing of loans to borrowers with impaired credit, including subprime and deep-subprime customers, and credit invisible customers. Since 2015, CAC has originated millions of auto loans to subprime or credit invisible consumers through a network of more than 12,000 affiliated used-car dealers nationwide.

I. CAC's Underwriting Model Either Did or Should Have Alerted CAC that Many Consumers Could Not Afford Their Loans Because CAC's Model Is Highly Predictive of Rates of Default, Vehicle Repossession, and Vehicle Auction.

8. CAC's primary underwriting tool is its proprietary "CAC Score." The CAC Score is a number from 0 to 1 that represents the percentage amount the company predicts it will collect on a consumer loan from all sources, including borrower payments, debt collection lawsuits, and repossession auctions. For example, when CAC attributes a CAC Score of .64 to a loan, CAC predicts that it will collect 64% of the overall value (principal plus interest) of the loan.

9. A consumer's CAC Score is highly correlated with the risk that the consumer's loan will end up in default, vehicle repossession, and/or vehicle auction. Consumers who received CAC loans with lower CAC Scores (and therefore lower predicted collection rates) have experienced higher rates of default, vehicle repossession, and auction than consumers who received loans with higher CAC Scores (and therefore higher predicted collection rates).

10. The CAC Score model has historically forecast that CAC would collect *less than the principal amount* of loans to many of CAC's most financially vulnerable consumers. That is, these loans may accurately be called "Set Up to Fail Loans." Historically, all CAC contracts with the lowest 20% of CAC Scores have been Set Up to Fail Loans.

11. Predictably, a high number of Set Up to Fail Loans result in quick consumer default and vehicle repossession and auction. Between 25-30% of Set Up to Fail loans are in arrears of 90 days within 12 months from origination. Approximately 70% of Set Up to Fail loans are in arrears of 90 days within 36 months. Over 40% of Set Up to Fail Loans result in repossession within 36 months. And over 50% of Set Up to Fail Loans end up in repossession and auction over the lifetime of the loan. Over 25% of the CAC loans in the bottom 5% of CAC Score have

historically resulted in repossession and auction of the relevant vehicle within 18 months of the loan's origination.

12. Exacerbating the issue of consumer loan affordability, analyses of CAC's internal data show that CAC-affiliated dealers mark up the prices of vehicles more for lower CAC Score consumers than for higher CAC Score consumers.

13. CAC tracks and analyzes data points about its consumer loans, including the loan outcomes and the prices dealers charge for their vehicles. CAC therefore was or should have been aware that many of the consumers to whom CAC provided loans with low CAC Scores could not reasonably have been expected to afford their loans and was or should have been aware that dealers were raising vehicle prices based on consumer credit worthiness. Despite this, CAC continued to originate risky low CAC Score loans including Set Up to Fail Loans and has failed to adopt effective processes to prevent dealers from marking up cars based on credit worthiness.

14. Although CAC generates the CAC Score and uses it to calculate loan terms and dealer compensation for originating the loan before offering consumers financing and loan terms for a vehicle purchase, CAC does not reveal either the CAC Score, or the known risks of loan default to consumers.

15. Rather than disclose the high risk of default to its most vulnerable borrowers, CAC advertised its loans as a means for consumers to "improve your credit score," or to "build a better future." In reality, the loans CAC gave to its many consumers were both likely to fail and extremely unlikely to improve the consumers' credit scores.

II. CAC Finances Ancillary Products in CAC Loans that CAC Knew or Should Have Known Were Included Without the Consumer's Affirmative Consent.

16. CAC finances the sales of VSCs and GAP products (collectively "ancillary products") with its loans. VSCs often cost $2,000 or more, and GAP products often exceed $1,000.

17. Ancillary products are optional. Dealers cannot make the sale of a vehicle, or access to financing, contingent on a consumer's purchase of an ancillary product.

18. CAC incentivizes affiliated dealers to sell ancillary products by paying dealers both a commission from the sale of ancillary products, and, ordinarily, additional compensation for originating loans that include the sale of ancillary products.

19. CAC often contractually mandates that, for CAC loans, dealers can only finance ancillary products from companies affiliated with CAC, meaning that CAC reinsures the company's ancillary products, or has a profit-sharing agreement with the company.

20. Starting around 2015, to further incentivize dealers to sell the products, CAC increased compensation to dealers who finance the sale of ancillary products through CAC loans. After this increase in compensation to dealers, a dealer could more easily turn a vehicle sale financed by a CAC loan from a transaction that would not have been profitable for the dealer into a profitable transaction, simply by adding an ancillary product.

21. Following this increase in compensation to dealers, the sales penetration rate for ancillary products financed via CAC loans rose from less than 60% a decade ago to nearly 90% by 2021.

22. CAC closely tracks the rate at which dealers finance ancillary products with CAC loans and provides those statistics to each dealer every month via a "dealer dashboard." By 2021, it was not uncommon for these "dealer dashboards" to show that even some of CAC's largest affiliated dealerships reported 100% (or near 100%) sales penetration rates for VSCs for months, or even years in a row.

23. These 90-100% sales penetration rates—particularly when sold to higher risk and financially strapped borrowers—were a clear red flag that dealers were selling ancillary products to consumers without their full knowledge or consent.

24. Consumers confirm that many were unaware they were purchasing the products, did not understand that the products were optional, or were led to believe the products must be purchased to get financing. CAC itself received numerous consumer complaints about ancillary products, including complaints that dealers were requiring borrowers to purchase add-on products to obtain a CAC loan agreement. CAC also received complaints from borrowers who were unaware that an add-on product was included in their contract and discovered the product only after the transaction was completed.

25. Special circumstances existed that triggered a duty on the part of CAC to disclose material facts to its consumers about its loans and add-on products—none of which Minnesota borrowers had at the time they obtained financing. These include, among other things: (1) that consumers were obtaining credit on terms that were likely to cause failure and (2) that consumers were being charged for ancillary products without their consent. Moreover, the nature and quality of CAC's representations were so incomplete that by failing to disclose this information CAC did not say enough to prevent the representations made to Minnesota consumers from being deceptive and misleading.

COUNT I
UNIFORM DECEPTIVE TRADE PRACTICES ACT
MINN. STAT. § 325D.44

26. The State re-alleges all prior paragraphs of this Complaint.

27. Minnesota Statutes section 325D.44, subdivision 1 provides in part that:

> A person engages in deceptive trade practices when, in the course of business, vocation or occupation:

> (5) represents that goods or services have . . . characteristics . . . uses, [or] benefits . . . that they do not have;
>
> ***
> (9) advertises goods or services with the intent not to sell them as advertised;
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> ***
> (13) engages in (i) unfair methods of competition, or (ii) unfair or unconscionable acts or practices; or
>
> ***
> (14) engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding.

28. CAC is a "person" within the meaning of Minnesota Statutes section 325D.44. *See* Minn. Stat. § 645.44, subd. 7.

29. In the course of its business, vocation, or occupation, CAC repeatedly violated Minnesota Statutes section 325D.44, subdivision 1 by engaging in the deceptive, fraudulent, unfair, and unconscionable practices described in this Complaint. These practices and material omissions include but are not limited to: (1) deceptively, unfairly, and unconscionably extending credit to consumers who CAC knew or should have known had no reasonable probability of being able to repay; (2) failing to disclose to consumers that they were obtaining credit on terms that were likely to cause failure; and (3) encouraging and/or turning a blind eye to the unfair, deceptive, and unconscionable sale of ancillary products to consumers.

30. Given the representations it made, its special knowledge, and the circumstances described in this Complaint, CAC had a duty to disclose material facts to potential customers in connection with its extension of credit to consumers who were unlikely to repay. By not doing so, the company failed to disclose material information in violation of Minnesota Statutes section 325D.44, subdivision 1.

31. Due to the deceptive, unfair, and unconscionable conduct described in this Complaint, consumers made payments to CAC that they otherwise would not have made. There is a causal nexus between these injuries to Minnesota consumers and the wrongful conduct that CAC has engaged in that violates Minnesota Statutes section 324D.44, subdivision 1.

32. CAC's conduct, practices, actions, and material omissions described in this Complaint constitute multiple, separate violations of Minnesota Statutes section 325D.44, subdivision 1.

COUNT II
PREVENTION OF CONSUMER FRAUD ACT
MINN. STAT. § 325F.69

33. The State re-alleges all prior paragraphs of this Complaint.

34. Minnesota Statutes section 325F.69, subdivision 1 reads:

> The act use, or employment by any person of any fraud, unfair or unconscionable practice, false pretense, false promise, misrepresentation, misleading statement or deceptive practice, with the intent that others rely thereon in connection with the sale of any merchandise, whether or not any person has in fact been misled, deceived, or damaged thereby, is enjoinable as provided in section 325F.70.

35. The term "merchandise" within the meaning of Minnesota Statutes section 325F.69 includes loans and services.

36. CAC is "person" under Minnesota Statutes section 325F.69. *See* Minn. Stat. § 325F.68, subd. 3.

37. CAC repeatedly violated Minnesota Statutes section 325F.69, subdivision 1 by engaging in the deceptive, fraudulent, unfair, and unconscionable practices described in this Complaint. These practices and material omissions include but are not limited to: (1) deceptively, unfairly, and unconscionably extending credit to consumers who CAC knew or should have known had no reasonable probability of being able to repay; (2) failing to disclose to consumers that they

were obtaining credit on terms that were likely to cause failure; and (3) encouraging and/or turning a blind eye to the unfair, deceptive, and unconscionable sale of ancillary products to consumers.

38. Given the representations it made, its special knowledge, and the circumstances described in this Complaint, CAC had a duty to disclose material facts to potential customers in connection with its extension of credit to consumers who were unlikely to repay. By not doing so, the company failed to disclose material information in violation of Minnesota Statutes section 325F.69, subdivision 1.

39. Due to the deceptive, unfair, and unconscionable conduct described in this Complaint, consumers made payments to CAC that they otherwise would not have made. There is a causal nexus between these injuries to Minnesota consumers and the wrongful conduct that CAC has engaged in that violates Minnesota Statutes section 325F.69, subdivision 1.

40. CAC's conduct, practices, actions, and material omissions described in this Complaint constitute multiple, separate violations of Minnesota Statutes section 325F.69, subdivision 1.

RELIEF

WHEREFORE, the State of Minnesota, by its Attorney General, Keith Ellison, respectfully asks this Court to award judgment against CAC as follows:

1. Declaring CAC's acts as described in this Complaint constitute multiple, separate violations of Minnesota Statutes sections 325D.44, subdivision 1 and 325F.69, subdivision 1;

2. Enjoining CAC and its employees, officers, directors, agents, successors, assignees, affiliates, merged or acquired predecessors, parents or controlling entities, subsidiaries, and all other persons acting in concert or participation with them, from engaging in the practices described

herein or violating in any way Minnesota Statutes sections 325D.44, subdivision 1 and 325F.69, subdivision 1;

3. Awarding judgment against CAC for restitution and/or disgorgement under the *parens patriae* doctrine, the general equitable powers of this Court, Minnesota Statutes section 8.31, and any other authority, for the harm or injuries to persons resulting from Defendants' acts as described in this Complaint;

4. Awarding judgment against CAC for civil penalties pursuant to Minnesota Statutes section 8.31, subdivision 3, for each separate violation of Minnesota Statutes sections 325D.44, subdivision 1 and 325F.69, subdivision 1;

5. Awarding the State its costs, including litigation costs, costs of investigation, and attorney's fees, as authorized by Minnesota Statutes section 8.31, subdivision 3a; and

6. Granting such further relief as provided by law or equity or as the Court deems appropriate and just.

Dated: September 17, 2026 September 17, 2026 Respectfully submitted,

KEITH ELLISON
Attorney General
State of Minnesota

JESSICA WHITNEY
Deputy Attorney General

/s/ Alex K. Baldwin
ALEX K. BALDWIN
Assistant Attorney General
Atty. Reg. No. 0396340

445 Minnesota Street, Suite 600
St. Paul, Minnesota 55101-2125
(651) 728-4049
alex.baldwin@ag.state.mn.us

JASON PLEGGENKUHLE
Assistant Attorney General
Atty. Reg. No. 0391772

MADELINE RANUM
Assistant Attorney General
Atty. Reg. No. 0403725

ATTORNEYS FOR STATE OF MINNESOTA

MINN. STAT. § 549.211 ACKNOWLEDGMENT

The party on whose behalf the attached document is served acknowledges through its undersigned counsel that sanctions, including reasonable attorney fees and other expenses, may be awarded to the opposite party or parties pursuant to Minn. Stat. § 549.211.

Dated: September 17, 2026

<u>/s/ Alex K. Baldwin</u>
ALEX K. BALDWIN
Assistant Attorney General