UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA

Powell v. UHG I LLC

Powell v. UHG I LLC · No. 23cv0086 DMS(KSC) · Decided September 15, 2025

SUMMARY

The United States District Court for the Southern District of California granted UHG I LLC’s motion for summary judgment in an action arising from collection of a consumer loan with a 128.40% APR. The court held that, although the take-it-or-leave-it loan terms established a minimal degree of procedural unconscionability, the undisputed circumstances did not establish substantive unconscionability. Because all of Plaintiff’s claims depended on the alleged unconscionability of the interest rate, the court directed entry of judgment for Defendant and closure of the case.

CASE DETAILS

COURT	United States District Court for the Southern District of California
WRITING FOR THE COURT	Dana M. Sabraw
JURISDICTION	United States District Court for the Southern District of California
DECIDED	September 15, 2025
DOCKET	23cv0086 DMS(KSC)
DISPOSITION	other
PROCEDURAL POSTURE	Defendant moved for summary judgment on the plaintiff's claims under the California Unfair Competition Law, the Fair Debt Collection Practices Act, and the Rosenthal Fair Debt Collection Practices Act. The court granted the motion.
STANDARD OF REVIEW	Summary judgment is appropriate when there is no genuine dispute as to any material fact and the moving party is entitled to judgment as a matter of law. The nonmoving party must identify specific facts showing a genuine issue for trial; the court views the nonmoving party's evidence and justifiable inferences in its favor. Unconscionability is a question of law for the court, and factual inquiries do not preclude summary judgment absent a genuine dispute of material fact.
PRECEDENTIAL VALUE	nonprecedential district court order

PARTIES Zachary Powell v. UHG I LLC

TOPICS

unconscionability · summary judgment · fair debt collection · consumer protection · civil procedure

PRACTICE AREAS

consumer protection · consumer finance · debt collection · contracts · civil procedure

QUESTIONS PRESENTED

1. Whether the 128.40% APR on plaintiff's unsecured loan to a low-credit-score borrower was unconscionable under California law.
2. Whether genuine disputes of material fact precluded summary judgment on unconscionability.
3. Whether plaintiff's California Unfair Competition Law, Fair Debt Collection Practices Act, and Rosenthal Fair Debt Collection Practices Act claims could survive absent a finding that the interest rate was unconscionable.

HOLDINGS

1. Summary judgment was proper because, although factual inquiries may bear on unconscionability, plaintiff failed to identify any genuine dispute of material fact requiring trial, and unconscionability was a question of law for the court.
2. The loan agreement involved at least a minimal degree of procedural unconscionability because of unequal bargaining power and its take-it-or-leave-it presentation, but there was no evidence of surprise.
3. The 128.40% APR was not substantively unconscionable because, considering the totality of the transaction's context, the rate was not so unreasonably and unexpectedly harsh as to be unduly oppressive or shocking to the conscience.
4. Because the interest rate was not unconscionable, plaintiff's claims under California Business and Professions Code section 17200, the Fair Debt Collection Practices Act, and the Rosenthal Fair Debt Collection Practices Act failed.

KEY QUOTATIONS

> *"Unconscionability is a flexible doctrine."* (at 4)

> *"Some measure of both procedural and substantive unconscionability must be present—although given the sliding scale nature of the doctrine, more of one kind mitigates how much of the other kind is needed."* (at 4)

> *"The court must also 'look to the basis and justification' for the rate."* (at 8)

> *"courts must look at context, not "just a single printed number[.]""* (at 9)

> *"Unsecured loans made to high-risk borrowers often justify high rates,"* (at 10)

FACTUAL BACKGROUND

In 2018, Zachary Powell applied online for a CashNetUSA loan. CashNet's automated underwriting system offered him a $3,500 unsecured loan at a 128.40% APR on a take-it-or-leave-it basis, and Powell accepted after having an opportunity to review the offer, including the APR. Powell later fell behind on payments, and the loan was charged off with an outstanding balance of $5,671.62. UHG I LLC purchased the loan in 2019 and filed a state-court collection action in 2021.

PROCEDURAL HISTORY

Plaintiff obtained a $3,500 loan from CashNetUSA in 2018 at a 128.40% APR and later fell behind on payments. UHG I LLC purchased the charged-off loan and sued plaintiff in state court to collect it. Plaintiff then filed this federal action, alleging that the interest rate was unconscionable and that collection efforts therefore violated California and federal debt-collection laws. After the court ruled on a motion to dismiss and compel arbitration, plaintiff conceded that his inadequate-assignment theory was no longer viable. The district court granted UHG's motion for summary judgment and directed the clerk to enter judgment and close the case.

DISPOSITION

other

CASES CITED

- Adickes v. S.H. Kress & Co., 398 U.S. 144, 157 (1970)
- Celotex Corp. v. Catrett, 477 U.S. 317, 323-24 (1986)
- S.E.C. v. Seaboard Corp., 677 F.2d 1301, 1306 (9th Cir. 1982)
- Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255 (1986)
- Berg v. Kincheloe, 794 F.2d 457, 459 (9th Cir. 1986)
- Butler v. San Diego District Attorney's Office, 370 F.3d 956, 958 (9th Cir. 2004)
- Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 586 (1986)
- McCollum v. XCare.net, Inc., 212 F. Supp. 2d 1142, 1150 (N.D. Cal. 2002)
- Marin Storage & Trucking, Inc. v. Benco Contracting and Engineering, Inc., 89 Cal. App. 4th 1042, 1055 (2001)
- De La Torre v. CashCall, Inc., 5 Cal. 5th 966, 973-84 (2018)
- Valezquez v. Sears, Roebuck and Co., No. 13cv680-WQH-DHB, 2013 WL 4525581, at *6 (S.D. Cal. Aug. 26, 2013)
- Captain Bounce, Inc. v. Business Financial Services, Inc., No. 11-CV-858 JLS (WMC), 2012 WL 928412, at *6 (S.D. Cal. Mar. 19, 2012)
- O'Donovan v. CashCall, Inc., No. C 08-03174 MEJ, 2009 WL 1833990, at *7 (N.D. Cal. June 24, 2009)
- Szetela v. Discover Bank, 97 Cal. App. 4th 1094, 1100 (2002)
- Richardson v. Sunbelt Staffing, LLC, No. 2:25-cv-00403-DJC-JDP, 2025 WL 1725771, at *4 (E.D. Cal. June 20, 2025)

- Circuit City Stores, Inc. v. Mantor, 335 F.3d 1101, 1106 (9th Cir. 2003)
- Shierkatz Rllp v. Square, Inc., No. 15-cv-02202-JST, 2015 WL 9258082, at *9 (N.D. Cal. Dec. 17, 2015)
- Nagrampa v. MailCoups, Inc., 469 F.3d 1257, 1281 (9th Cir. 2006)
- Armendariz v. Foundation Health Psychcare Services, Inc., 24 Cal. 4th 83, 114 (2000)
- Perdue v. Crocker National Bank, 38 Cal. 3d 913, 926-27 (1985)
- Bennett v. Behring Corp., 466 F. Supp. 689, 697 (S.D. Fla. 1979)
