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arkansas business news story

Arkansas Supreme Court: Check Cashers Act Violated State Constitution

By Arkansas Business Staff

11/6/2008 9:27:01 AM

(Click [here](#) to read the Supreme Court's ruling on the Check Cashers Act.)

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The Arkansas Supreme Court ruled Thursday that the Check Cashers Act violated the state constitution, according to the Associated Press.

In a 6-0 decision, the court overturned a Pulaski County judge who last year ruled that the act was constitutional after justices sent the case back to his court without ruling on the law itself.

The state's constitution limits the interest rates on loans to 17 percent.

Justice Paul Danielson wrote in the court's decision that the act "clearly and unmistakably conflicts" with the state's constitution.

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Newly sworn-in Justice Elana Wills, who previously worked in the attorney general's office, did not participate in the court's ruling. The ruling comes after the state Attorney General's office cracked down on check cashers operating in Arkansas. The largest check casher operating in the state, Advance America, recently shut down operations in Arkansas after the AG's office threatened legal action.

Critics have accused check cashers of charging exorbitant interest on loans. The attorney general's office said the high interest violated the state's laws against usury.

[The number of payday lenders in Arkansas has dropped since the AG's office took on the lenders.](#)

The 1999 Check Cashers Act was designed to provide payday lenders legal cover to operate in the state.

Early this year, the Arkansas Supreme Court issued two major rulings against payday lending in the state. Responding to these rulings, [Attorney General Dustin McDaniel on March 18 ordered](#) all 156 payday lenders licensed and regulated by the Arkansas State Board of Collection Agencies to stop making loans. Following McDaniel's order, [101 of the 156 stopped making loans.](#)

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(The Associated Press contributed to this report.)

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