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MCDANIEL SUES PROVIDER OF REFUND ANTICIPATION LOANS

LITTLE ROCK -- Attorney General Dustin McDaniel announced today he has filed a lawsuit against Mo' Money Tax Service for violations of the Arkansas Refund Anticipation Loan Act, stating that the service charged Arkansas consumers fees that are prohibited and failed to provide disclosures required under the act.

Memphis-based Mo' Money, which has recently rebranded as MoneyCo USA, is a tax preparation business that has operated from several locations in Arkansas.

Mo' Money facilitates short-term loans secured by a consumer's anticipated income tax refund through a product known as a Refund Anticipation Loan (RAL).

In 2009, the Arkansas General Assembly passed the Refund Anticipation Loan Act to address consumer protection concerns related to RAL transactions. The law, sponsored by Rep. Darrin Williams, requires tax preparers to provide specific disclosures when facilitating RALs. Additionally, the facilitator is prohibited from charging fees to RAL customers other than the loan fee charged by the lender, unless such fees are charged to all tax preparation customers, not just those customers who receive a loan.

McDaniel's suit, filed in Pulaski County Circuit Court, alleges that Mo' Money facilitated RALs and did not provide all of the disclosures that are required by law. Additionally, Mo' Money charged its RAL customers fees that are prohibited by the Refund Anticipation Loan Act.

"The Legislature passed the Refund Anticipation Loan Act because consumers need to be equipped with as much information as possible before they choose to obtain an RAL, but this company has not lived up to its obligation to its customers," McDaniel said. "Frankly, Arkansans shouldn't have to pay high fees to borrow their own money, when, in reality, RALs are not much faster than a direct deposit from the IRS."

McDaniel's lawsuit follows an investigation initiated after a study by Arkansans Against Abusive Payday Lending found that Arkansas tax preparers, including Mo' Money, were not fully complying with the Refund Anticipation Loan Act.

McDaniel said that if a tax return is filed electronically, the full anticipated refund can be deposited in the taxpayer's bank account in as little as eight days, and usually no more than 15 days. That is one of the disclosures required by law that Mo' Money failed to provide to its customers.

In addition, some Arkansans can utilize "Free File" programs authorized by the IRS. Arkansans who cannot afford to pay for tax preparation assistance can receive free help through the Volunteer Income Tax Assistance Program (VITA).