

State AG Settles with Debt Collector of Payday Loans

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Arkansas Attorney General Dustin McDaniel announced Thursday that he has reached an agreement with a Kansas-based debt collection agency that requires the collector to stop attempting to collect on illegal payday loan debt in Arkansas.

In a consent judgment filed in Pulaski County Circuit Court, National Credit Adjusters LLC agreed to end its efforts to collect more than \$2.7 million on 5,810 loans that will be cancelled as a result of the agreement. In addition, NCA will pay the State \$200,000 to be distributed to higher-education institutions.

“This out-of-state company misrepresented to thousands of Arkansas consumers that the debt it attempted to collect on was enforceable and collectable, even though it clearly is not under Arkansas law,” McDaniel said. “This action was part of our ongoing effort to enforce the state constitution’s usury limits and protect consumers against illegal actions by entities associated with the payday lending industry.”

McDaniel filed suit against the Hutchinson, Kan.-based company last year, alleging it had violated the Arkansas Deceptive Trade Practices Act by attempting to collect on payday and high-interest installment loan debt that is usurious, unconscionable and void under Arkansas law.

NCA purchases from lenders the right to collect on delinquent debt. In doing so, the company purchased a large number of debts from payday loans and high-interest installment loans. The loans carry exorbitant interest rates that exceed the amount allowed by Arkansas law.

NCA agreed to pay an additional \$400,000 if a court determines that it violated terms of the consent judgment within the next five years. NCA faces additional monetary penalties if it fails to notify affected consumers in writing that their debts have been cancelled.

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