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AG Reaches Settlement With Payday Lenders

By *THE MORNING NEWS*

LITTLE ROCK -- The state has settled lawsuits against nine businesses and individuals accused of offering illegal payday loans disguised as instant cash rebates for Internet service, Attorney General Dustin McDaniel announced Monday.

Under the \$1 million settlement, Arkansas customers will receive \$800,000 in restitution and the remaining \$200,000 will go to the consumer education enforcement fund in the attorney general's office, McDaniel said.

The settlement also stops any type of debt collection efforts on any outstanding contracts and requires the businesses to close. The attorney general's office estimated the agreement would cancel about \$4.5 million in outstanding balances on existing contracts.

"This is a very aggressive settlement," said Hank Klein, founder of Arkansans Against Abusive Payday Lending. "I'm glad to see that this has finally been settled."

Businesses agreeing to the settlement were [Dialing4Dollars.Net](#), [JonesMoneyOnline.Net](#), [CrossettCash.Net](#), [ConwayCash.Net](#), [Money.Net](#), [ElDoradoOnline.Net](#), [MagnoliaMoney.Net](#) and [MoneyInAFlash.Net](#).

The lawsuits alleged customers were offered up to three Internet accounts and given a \$100 rebate for each account, then required to pay \$20 every two weeks for each account, or \$120 a month for dial-up Internet access.

Currently, dial-up Internet access costs \$5 to \$10 a month, the attorney general's office said. McDaniel said the deal was nothing more than a disguised payday lending scheme with interest rates exceeding 500 percent.

The settlement did not address Arkansas' payday lending law, which is expected to be debated before the Arkansas Supreme Court next year.

In November, a Pulaski County circuit judge ruled that the 1999 Check Cashers Act that allows payday loan fees that exceed the state's interest limits is constitutional.

Payday lending opponents, who argue the law is unconstitutional because it frees payday lenders to make consumer loans with triple-digit interests that far exceed the state's 17 percent usury limit, have appealed the judge's ruling to the state's highest court.