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Ark. AG Reaches \$1 Million Settlement With Payday Lenders

By The Associated Press

12/11/2007 9:33:01 AM

LITTLE ROCK (AP) _ Fourteen businesses will close and pay \$1 million to settle lawsuits that accused them of offering illegal payday loans disguised as instant cash rebates for Internet service, Attorney General Dustin McDaniel said Monday.

McDaniel announced the resolution of nine lawsuits with the payday lending firms, which will also stop trying to collect debts incurred through the rebates.

The businesses asked customers to set up to three Internet accounts and were given a \$100 "rebate" for each account they received. Customers were then required to pay \$20 every two weeks for each account.

Under this agreement, a customer with three Internet



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accounts would pay \$120 a month for dial-up Internet access. McDaniel said that the rebates were nothing more than a payday lending scheme that charged more than 500 percent interest.

"Addressing these unconscionable business practices is a priority of mine, and it is my belief that this agreement will go a long way towards eliminating schemes of this nature in Arkansas," McDaniel said.

The businesses agreeing to the settlement have operated under the names Dialing4Dollars.Net, JonesboroMoneyOnline.Net, CrossettCash.Net, ConwayCash.Net, Money.Net, ElDoradoOnline.Net, MagnoliaMoney.Net and MoneyInAFIash.Net.

The businesses had 14 locations in Conway, Crossett, El Dorado, Jonesboro, Little Rock, Magnolia, Pine Bluff, Texarkana and West Memphis.

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The settlement does not address other types of payday lenders, which are the subject of a lawsuit likely to end up before the state Supreme Court.

Payday lending opponents have said they planned to appeal a state judge's ruling last month that the 1999 Arkansas Check Cashers Act does not violate the state's constitution. Critics have argued that the act violates the state constitution by allowing payday lenders to make consumer loans with interest rates of more than 17 percent annually.

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