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Check Cashing Act Not "Blanket Protection" For Payday Lenders

The Arkansas Supreme Court ruled Thursday that the state's Check Cashers Act does not provide "blanket protection" for payday lenders that charge customers more than the 17 percent a year in interest.



The ruling, by Associate Justice Robert L. Brown, affirms a lower court decision ordering a Russellville check casher to forfeit a \$50,000 surety bond it had with Old Republic Surety Company to operate in the state. The ruling further cements the court's stance against the 1999 law passed by the Legislature that says fees paid by check-cashing customers are not interest, which the constitution caps at 17 percent a year.

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Todd Turner, an Arkadelphia lawyer representing those suing the surety company, says today's decision "makes it really clear that you can't ignore the constitution."

Peggy Matson, executive director of the state Board of Collection Agencies, said she had yet to read the opinion Thursday morning. Joel Taylor, a lawyer representing Old Republic, did not immediately return a call for comment.

The Arkansas Check Cashers Act, passed in 1999, says a fee paid for holding a check written before the date it is to be cashed "shall not be deemed interest." Typically, someone wanting a payday loan goes to a check-cashing company and writes a check for a certain amount, and the company agrees not to cash the check for a specified time, often waiting until the check-writer's payday, when money can be deposited to cover the amount of the check.

Through a payday loan in Arkansas, a customer writing a check for \$400,



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for example, typically would receive \$350. The lender would keep the check for about two weeks without cashing it and, thereby, allowing the customer time to buy back the check. The \$50 charge on the \$350 loan for 14 days equates to 371 percent interest, well above Arkansas' usury limit of 17 percent.



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Robert Bell, Executive Producer
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