

Arkansas Supreme Court rules Check-Cashers Act unconstitutional



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By Joe Phelps
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Arkadelphia, Ark. -

The Arkansas Supreme Court reversed an appeal Thursday involving Little Rock Circuit Judge Barry Sims and Arkadelphia attorney Todd Turner. The court ruled that the Arkansas Check-Cashers Act is unconstitutional. Under the act, some payday loan offices were charging up to 300 percent interest — and some even up to 800 percent — on loans.

The loan offices would cash checks and hold them for two weeks, but would charge the high interest rates — calling them fees rather than interest — despite the fact the Arkansas Constitution caps interest rates at 17 percent. If the loanee failed to pay off the loan in one payment, he or she would have had to start over with paying the principle and the interest — keeping him in debt to the loaner.

Turner filed suit in 2003 with plaintiff Patrick Hays of Little Rock. Sims ruled the act constitutional, and the suit went through three trials, all of which were appealed on various technicalities.

Associate Justice Paul Danielson wrote the decision. “In sum, because the Check-Cashers Act clearly authorizes loans charging usurious rates of interest in contravention of the limits set forth in (the Constitution), we hold that the act, in its entirety, clearly and unmistakably conflicts with our constitution ...”

Turner said today, “I’m very pleased that the Supreme Court struck down the act because these payday loans have victimized many people in Arkansas as they have gotten trapped by these loans they couldn’t pay off.”

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