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## Justices uphold fine on payday lender

BY DAVID SMITH ([CONTACT](#))

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LITTLE ROCK — The Arkansas Supreme Court on Thursday upheld a 2006

decision of the Arkansas Board of Collection Agencies in which the board leveled the largest fine ever against a payday lender in the state.

In July 2006, the board, the regulator of payday lenders in Arkansas, fined Dennis Bailey of Fordyce \$1.3 million for operating 14 payday lending stores without a license. At the time, the board ordered Bailey to close the stores.

Bailey appealed the decision to Pulaski County Circuit Court, but the board's ruling was upheld. The state Supreme Court upheld that Pulaski County decision Thursday.

Peggy Matson, executive director of the state board, said the Supreme Court's ruling allows the board to pursue a civil lawsuit against Bailey.

The state board sued Bailey, his wife, children, a business partner and his businesses last year, claiming he transferred ownership of most of his assets out of his name and to relatives, trying to prevent collection of the \$1.3 million in fines.

The board has not yet collected any fines from Bailey, Matson said.

"We didn't pursue the fraudulent-conveyance lawsuit because we might have been wasting our time before the Supreme Court ruled," Matson said. "If the board's decision had been found not valid, we would have had no basis for going after [Bailey's assets]. Now that this is resolved, we'll pursue [the lawsuit]."

Bailey did not return a call for comment about the court's decision.

The stores Bailey closed in 2006 were in Beebe, Bryant, Cabot, Camden, Corning, Fordyce, Harrison, Hot Springs, Little Rock, Mountain Home, Newport, Searcy, Sheridan

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and Walnut Ridge. Most of the stores had Fast Cash in the name.

In Arkansas, taking out a payday loan works like this: The customer writes a check for \$400, for example, and receives \$350 in cash. The lender usually keeps the check for two weeks before cashing it.

A \$50 charge on a \$350 loan for 14 days equals 371 percent in annual interest. Under the Arkansas Check-cashers Act, the customer must repay the loan before the agreed-upon date or the lender must deposit the check. Once the loan is repaid or the check deposited, the customer can take out another loan by exchanging another check for cash and promising to repay the loan.

Attorney General Dustin Mc-Daniel, who ordered 156 payday lending stores in the state to close last month, has said that a customer who takes out a \$350 payday loan often ends up paying more than \$1,000 in interest and fees before the principal is finally paid off. McDaniel ordered the stores closed because their loans violated Arkansas' maximum allowable interest rate of 17 percent.

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