

If I write a check to a “Payday Lender,” when will they cash it?

“Payday Lenders” can cash your check any time up to one month after you write it, so be sure to ask! The date they cash the check must be on the contract they are required to give you. The law doesn’t say when exactly they have to cash your check, but it does say that they can’t keep it for more than 31 days. So, if you borrow money on the 1st of July, they cannot contract to cash your check past August 1st.

If I still don’t have the money to cover the check, can I stop the “Payday Lender” from depositing my check by paying them a fee?

No. Again, the law does not allow the borrower to pay the lender to keep your check for longer than 31 days. A “Payday Lender” may agree to hold the check for a longer period of time without charging you and you should ask him if he is willing to do so, but he is under no obligation to help you. He may not ask for, or take additional money to hold your check.

Can I just write them another check that they promise not to cash to pay for the first check?

No, this is called renewing or “flipping” the contract. It’s illegal for a “Payday Lender” to do that too. BUT, as soon as you pay off your first check, the lender can advance you more money on another check by writing a new contract. Since this is allowed, a lot of times people will go to another “Payday Lender” to write a check to a “Payday Lender” to pay off the first check, and then get ANOTHER check from the first lender. That is NOT a good idea. Many people get hopelessly in debt by jumping from one “Payday Lender” to another.

This brochure is for information only. If you have problems with a “Payday Lender” or check casher, you may want to contact your local legal services program by calling the Legal Aid Telephone Intake Service for a referral at 744-9430 in Columbia or toll free (888)346-5592 from other places in the state.

If you are finding yourself in trouble with debt, you may also contact your local United Way for the name and number of the consumer credit counseling agency in your area. They may be able to assist you with working out a payment plan with your creditors.

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South Carolina Appleseed Legal Justice Center is dedicated to advocacy for low-income people in South Carolina to effect systemic change by acting in and through the courts, legislature, administrative agencies, community and the media, and helping others do the same through education, training and co-counseling.

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Payday Lenders and the Law



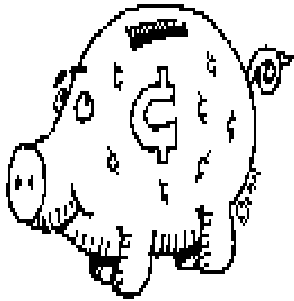
Know your legal rights before turning that check into cash...

Who are “Payday Lenders”?

“Payday Lenders” advance money to you for a fee when you write them a personal check, and then they promise not to deposit your check for up to thirty-one days. If you need \$100 in cash, the check you write to them will be for more than \$100.

Say I do need \$100. Can they ask me to write a check for \$150?

No. The law in South Carolina says that “Payday Lenders” can only charge you up to \$15 per hundred dollars. So, if you need \$100, you shouldn’t have to write a check for more than \$115. If you need \$200, then the biggest check they can ask from you is \$230. This can mean the interest rate on a payday loan could be around 400% APR (Annual Percentage Rate) on a 2-week advance.



How much money can a “Payday Lender” give me?

Up to \$300. It’s illegal for them to give you more than that. And remember, to get \$300 from them, the highest amount they can ask from you is \$345. When the lender makes the loan he must tell you in writing how much he is charging for the loan and the APR (Annual Percentage Rate) or interest rate on the loan. If you are not given this written contract, the lender has broken the law.

Can the “Payday Lender” have me arrested if my check doesn’t clear?

No, and they can’t even say that they’re going to do that. If your check doesn’t clear, then your bank will charge you for “bouncing” a check, and the payday lender can bring you to Civil Court to collect the money you owe for the check. Of course, if a “Payday Lender” deposits the check, it could cause other checks you have written to bounce. You are then responsible for any of those bad checks.



Are there other rules about what “Payday Lenders” can and can’t do?

“Payday Lender” must give you a written contract disclosing all of the terms and charges made. The law says that “Payday Lenders” can’t sell other things to you. There are a few exceptions to this rule, such as: money orders, postage stamps, and vending machine items. “Payday Lenders” can also provide fax services; provide money wire services; or rent a postage box to you. They may also accept your utility bill payments - without charging a fee.

Can “Payday Lenders” do regular check-cashing services too?

Yes, and most of them do. With regular check-cashing, the business does not “hold” the check before cashing it, but cashes it immediately for a fee. They may cash your own personal check or a check made out to you by a third party.

How much can they charge me to just cash a check right then?

It depends on the type of check. If you want to cash a preprinted paycheck or government check that’s \$150 or less, then they can charge you \$3.00 or 2% of the check’s face value, whichever is greater. That means, for all checks less than \$150, they can charge you \$3.00, and if the check is for more than \$150, then they’ll charge you 2% of its value. So, if you want to cash a paycheck for \$500, the most they can charge you is \$10.

For all handwritten checks or money orders, they can charge you either \$5.00 or 7% of the check’s face value, whichever is bigger. That means, for all checks worth \$71.43 or less, they can charge \$5.00 to get it cashed. If the check is worth more than that, then they can charge you up to 7% of the face value. So, if you had a handwritten paycheck for \$500, they could charge you \$35.00 to cash it. Some companies only provide check cashing services and cannot act as “Payday Lenders”. It depends on the type of license they hold.



