



October 6, 2016

MADIGAN REACHES \$3.5 MILLION SETTLEMENT WITH LENDER FOR SELLING PRODUCT WITH HIDDEN, SKY-HIGH INTEREST RATES

Attorney General Madigan Bans Company from Selling Expensive Loan Product in Illinois and Cracks Down on Other Lenders Operating Illegally in the State

Chicago — Attorney General Lisa Madigan today announced she is cracking down on lenders in Illinois that are illegally selling small-dollar loans riddled with hidden costs and fees, including a \$3.5 million settlement with All Credit Lenders that has provided hundreds of thousands of dollars in restitution for consumers across the state.

Madigan's settlement requires the Elgin, Illinois-based All Credit Lenders to immediately stop offering the revolving line of credit that carried hidden interest rates disguised as "required account protection fees" ranging from 350 percent to more than 500 percent. Under the settlement, the company must stop collecting on these loans and waive outstanding balances for thousands of consumers. All Credit Lenders has already paid \$200,000 in restitution to borrowers who were unemployed or receiving social security at the time they received their loan and borrowers who had previously filed complaints with Madigan's office.

In addition to this settlement, Madigan has reached agreements with five other lenders in Illinois that offer similar loan products requiring them to stop lending and collecting on those loans.

"These are egregious violations of the payday reform law we fought to put in place to protect consumers from outrageously expensive loans," Madigan said. "All Credit Lenders and these other operators concoct illegal fees and costs, then fail to disclose them, and as a result, consumers end up owing enormous amounts outlawed by our reforms."

The settlement with All Credit Lenders resolves Madigan's 2014 lawsuit that alleged the required account protection fee was in fact undisclosed interest and violated Illinois' 36 percent interest rate cap set in the Illinois Financial Services Development Act (FSDA), which misled consumers about the true cost of their loans. Madigan also alleged the structure of the revolving credit loan product, including its failure to amortize, was unfair, abusive and designed to place consumers in an endless cycle of debt.

The settlement agreement required the company to do the following:

- All Credit Lenders immediately stopped accepting payments for loans not in collection on which credit was extended prior to March 25, 2016. Any outstanding amounts on these loans were also waived and deemed paid in full.
- All Credit Lenders stopped collecting on outstanding amounts by July 18, 2016, for loans not in collection on which credit was extended on or after March 25, 2016. Outstanding amounts due on these loans were waived and deemed paid in full.
- The company immediately stopped collections activities on these loans (including letters and phone calls), stopped accepting payments, including payments received through wage assignments, by Aug. 2, 2016, when the outstanding amounts due on these loans were waived and deemed paid in full.

In addition, Madigan filed comments today supporting the Consumer Financial Protection Bureau's (CFPB) proposed payday lending rules. Specifically, Madigan's office supports:

- **Filling in the gaps in Illinois law** where consumer protections are lacking, such as consumer protections for title loans.
- **Adding an ability to repay standard** for loans of more than \$500 to determine if the borrower has the ability to repay a loan and avoid an endless cycle of debt;
- **Creating minimum standards of consumer protection nationwide** to which all small loan lenders must adhere to deter lenders based in other states with weak or no consumer protections from attempting to operate in Illinois while failing to

comply with our small loan consumer protection laws; and

- **Creating a nationwide database** to enable the states to identify who is lending in the United States and whether borrowers are able to repay their loans.

Madigan has been fighting for years to crack down on unlicensed, predatory payday lenders. In 2014, she filed five lawsuits in a sweep targeting lenders for illegally offering expensive, predatory loans that trap Illinois borrowers in excessive, cyclical debt loads. Madigan filed lawsuits against online broker MoneyMutual LLC for its role generating customer leads on payday loans with unlicensed lenders in violation of state law and four out-of-state payday lenders operating exclusively online, selling payday loans loaded with fees that are double the amount allowed under state law. The lawsuits alleged BD PDL Services LLC, Mountain Top Services I LLC, Red Leaf Ventures LLC and VIP PDL Services LLC charged Illinois borrowers \$30 for every \$100 loaned and allowed borrowers to take out multiple loans at once.

The settlement was handled by Bureau Chief Susan Ellis and Assistant Attorneys General Tom James, Sarah Poulimas and Andrea Law for Madigan's Consumer Protection Division.

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