

## **PUBLIC JUSTICE E-LERT** AMERICA'S PUBLIC INTEREST LAW FIRM

March 14, 2011

"I'd like to see New Mexico make payday lending illegal," said consumer Andrea Felts.

No wonder. First, two internet payday lending companies charged her astronomical interest rates in violation of New Mexico law. Then they claimed that their mandatory arbitration clauses and class action bans barred her from holding them accountable.

Last week, the New Mexico Court of Appeals held, as Public Justice argued, that the companies' class action bans and mandatory arbitration clauses were unenforceable. The Court gave Ms. Felts the go-ahead to join with other consumers and challenge the companies' lending practices in a class action. Now the companies will have to answer for conducting online payday lending in direct violation of New Mexico law.



A typical payday loan ad offers cash in minutes

The case began in late 2007 when Ms. Felts, then a 38-year-old high school administrator in Albuquerque, was going through a costly divorce. In need of extra money to make ends meet, she turned to online payday lenders for three loans of around \$400 each.

She was then charged interest rates of 684, 730 and 521 percent on those three loans.

When Ms. Felts could not keep up with her payments, the lenders began to contact her repeatedly, both at work and at home. She sometimes received more than 20 calls a day, and her teenage daughter was subjected to harassing calls as well. The lenders even threatened Ms. Felts with jail.

When Ms. Felts tried to bring a class action lawsuit on behalf of all consumers who had obtained small-dollar loans from these lenders, the lenders argued that the suit was barred by the arbitration clause and class action ban contained in all of their consumer contracts. Public Justice took on the case and handled the appeal. Last week, we won.

To read the New Mexico Court of Appeal's decision in *Felts*, [click here](#).

To read our appellate brief, [click here](#).

And to watch the 2-minute news clip of Ms. Felts' story, [click here](#).

Congratulations and thanks to Senior Attorney Paul Bland, who argued the case; Public Justice Goldberg Attorney Amy Radon, the principal author of our brief; plaintiff's lead counsel Rob Treinen of Albuquerque; and plaintiff's co-lead counsel Richard Fuller and Douglas Micko of the Schaefer Law Firm of Minneapolis, MN.

Congratulations and thanks, too, to New Mexico Attorney General Gary King and Assistant Attorney General Karen Meyers, who filed an *amicus* brief in support of Ms. Felts and her fellow consumers.

And congratulations and thanks to you for helping make this great victory possible. With your help, we must preserve access to justice for all.

Arthur Bryant

Executive Director

Public Justice and the  
Public Justice Foundation

email: [abryant@publicjustice.net](mailto:abryant@publicjustice.net)

voice: 202-797-8600

web: <http://www.publicjustice.net>