



NEWS RELEASE

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Contact: Paul Bland at pbland@publicjustice.net or (202) 797-8600
Carlene McNulty at carlene@ncjustice.org or (919) 856-2161
Deborah Mathis at dmathis@publicjustice.net or (202) 797-8600
Jeff Shaw at jeff@ncjustice.org or (503) 551-3615

North Carolina Class Action against Country's Largest Payday Lender Reaches \$18.75 Million Settlement

Advance America, the country's largest payday lender, has agreed to pay \$18.75 million to more than 140,000 North Carolina consumers under a proposed settlement agreement announced Friday by the consumers' attorneys. The settlement will resolve a 2004 class action lawsuit against Advance America that accused it of charging illegal fees and interest rates.

The company had already stopped lending in North Carolina as a result of an investigation action brought by the North Carolina Attorney General's Office and the North Carolina Office of the Commissioner of Banks. Advance America affiliates that signed the agreement operated 118 branch offices throughout North Carolina.

"I have been closely monitoring a lot of the consumer protection litigation against payday lenders around the country," said Public Justice Senior Attorney Paul Bland, one of the plaintiffs' lawyers, "and as far as I am aware, this is by far the largest settlement that any class of consumers has won from any payday lender in the United States. It is the single biggest achievement on behalf of consumers against payday lenders that I have seen in any private lawsuit in the U.S."

So-called "payday loans" are short-term loans or cash advances, usually for a period of 14 days, secured by a post-dated check for the full amount of the loan plus interest or other fees. Payday loans typically require triple digit interest rates. The class representatives in *Kucan v. Advance America*, the North Carolina suit, obtained loans from Advance America with annual percentage rates exceeding 450%. North Carolina law caps interest for that type of loan at 36%.

"We are pleased that Advance America has agreed to compensate North Carolina consumers who have been adversely affected by those practices," said Carlene McNulty of the North Carolina Justice Center in Raleigh, one of the attorneys representing the plaintiffs. "It's a model we encourage – to not only abandon bad practices but to try to make amends for them."

Attorneys say class action lawsuits against unscrupulous payday lenders will continue.

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Consumer representatives congratulated Advance America for taking this big step to make things right with its customers, but also noted that several other North Carolina payday lenders are still using delay tactics and specious arguments about why their contracts immunize them from state law.

“There are still four major payday lenders in North Carolina who took tens of millions of dollars in illegal fees from consumers who continue to drag out consumer protection cases,” said Mal Maynard of the Financial Protection Law Center in Wilmington, N.C., another attorney for the plaintiffs. “We are happy that Advance America has done the responsible thing, but we are not going to let down for one moment in the other cases.” Maynard said the legal team will pursue litigation against the other payday lenders “until they do the right thing as well.”

Class action lawsuits to recover funds for illegally charged and overcharged borrowers are part of a one-two punch against illegal payday lending practices in the state. North Carolina Attorney General Roy Cooper has been active in pursuing payday lenders and forcing them to cease operations in North Carolina. The Attorney General’s Office previously reached an agreement with three other major payday lenders, Check Into Cash, Check N Go and First American Cash Advance, to stop making the illegal payday loans in the state.

Consumers who got a payday loan at Advance America or National Cash Advance in North Carolina on or after March 1, 2003, will receive payments as part of the proposed settlement. They will not need to file a claim to be able to participate in the settlement. If the settlement is approved, checks will be mailed to all class members who can be located, beginning in the first half of 2011.

In agreeing to pay consumer claims, Advance America has not admitted that it has violated any North Carolina law. Judge D. Jack Hooks, Jr. of New Hanover County Superior Court has been asked to approve the settlement.

In addition to Bland, McNulty, and Maynard, the plaintiffs were represented by lead counsel Jerry Hartzell of Raleigh; Mona Lisa Wallace and John Hughes of Salisbury, N.C.; and Richard Fisher of Cleveland, Tenn.

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