Private Equity-Owned Payday Lenders Profit by Trapping People in Debt

Private equity firms have pushed into the high-priced consumer loan industry, offering payday and other consumer loans that profit off trapping borrowers in a cycle of debt. Private equity (PE) firms own over 5,000 storefront payday and online lenders that make loans at 300% annual percentage rates (APR) and more.¹ Some of the largest and most well-known payday lending companies, like ACE Cash Express, Speedy Cash, Money Mart and the Check Cashing Store, have been owned by private equity firms.²

Payday and car title loans create a long-term debt trap that causes serious financial harm, including increased difficulty meeting basic household needs, loss of a vehicle, and bankruptcy. Payday and car title lenders extract nearly $8 billion in interest and fees from consumers every year.³ And 8 in 10 payday loans go to pay off another payday loan.⁴ About one in 25 families take out a payday loan each year and African American and Latinx consumers are over twice as likely to have a payday loan.⁵

**PE-owned payday lenders evading state consumer protection laws:** PE firm FFL Partners bought Curo Financial, owner of Speedy Cash and Rapid Cash in 2008.⁶ In 2018, Speedy Cash paid $750,000 to settle allegations that it bought in part because of the interest rates over 400 percent and cost $1,800 for borrowing $500.⁷ It settled a raft of lawsuits by paying nearly $40 million to 21 million borrowers for loans that could have interest rates over 400 percent and cost $1,800 for borrowing $500.⁸ In 2017, Think Finance went bankrupt in part because of these lawsuits.⁹

**PE controlled online payday lender dodges state usury laws, goes bankrupt from lawsuits:** Another PE partnership backed an early internet lender, Think Finance that pushed high-cost loans that posed the same risks as storefront payday lenders.¹⁰ Many of its loans illegally charged interest rates higher than what the states they were made in permitted.¹¹ The Consumer Financial Protection Bureau found that it collected $86 million from loans that were void under state laws.¹² It settled a raft of lawsuits by paying nearly $40 million to 21 million borrowers for loans that could have interest rates over 400 percent and cost $1,800 for borrowing $500.¹³ In 2017, Think Finance went bankrupt in part because of these lawsuits.¹⁴

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Notes:
- AFR and Private Equity Stakeholder Project. “Private Equity Piles into Payday Lending and Other Subprime Consumer Lending.” December 2017
- Standart, Diane et al. Center for Responsible Lending. “Payday and Car Title Lenders Drain Nearly $8 Billion in Fees Every Year.” April 2019 at 3.
- California Department of Business Oversight. [Press release]. “DBO continues crackdown on interest rate cap avoidance entering consent order with California check cashing stores.” January 22, 2019.
- Tompor (2019).