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CFPB Takes Action Against Check Cashing and Payday Lending Company for Tricking and Trapping Consumers

Bureau Alleges All American Check Cashing Hid Fees and Pressured Borrowers into Multiple Loans

MAY 11, 2016

WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) today took action against All American Check Cashing, Inc., which offers check cashing and payday loans, and its owner, for allegedly tricking and trapping consumers. In a complaint filed in federal court, the CFPB alleged that All American tried to keep consumers from learning how much they would be charged to cash a check and used deceptive tactics to stop consumers from backing out of transactions. The CFPB also alleged that All American made deceptive statements about the benefits of its high-cost payday loans and also failed to provide refunds after consumers made overpayments on their loans. The CFPB’s lawsuit seeks to end All American’s unlawful practices, obtain redress for consumers, and impose penalties.

“Today we are taking action against All American Check Cashing for tricking and trapping consumers,” said CFPB Director Richard Cordray. “Consumers deserve accurate and honest information from the financial institutions they depend on, but All American instead devised elaborate schemes to hide costs and take advantage of vulnerable borrowers.”

All American Check Cashing, Inc. is located in Madison, Miss. and offers check cashing services and payday loans at approximately 50 stores in Mississippi, Alabama, and Louisiana. The CFPB’s complaint also names Mid-State Finance, Inc. (doing business as Thrifty Check Advance), which offers check cashing and payday loans in at least one store in Pearl, Miss. The CFPB’s complaint also names Michael Gray, president and sole owner of both companies, and alleges that he directed and profited from their illegal practices.

Keeping Consumers in the Dark When Attempting to Cash a Check

The Bureau alleged that All American collects approximately \$1 million per year in check-cashing fees. The company charges fixed amounts that vary only by state and by whether a check is government issued. In Mississippi and Alabama, All American charges a 3 percent

fee for government-issued checks and a 5 percent fee for other checks. In Louisiana the fee is 2 percent for government-issued checks and 5 percent for other checks.

The Bureau's complaint alleges that the defendants:

- **Refuse to tell consumers how much they will be charged:** All American instructs its employees to hide the check-cashing fees by counting out the money over the fee disclosure on the receipt and removing the "receipt and check as quickly as possible." All American's policies explicitly forbid employees from disclosing the check-cashing fee to consumers, even when directly asked. A training presentation for new employees instructs them to "NEVER TELL THE CUSTOMER THE FEE." Employees are directed to say they do not know what the fee will be, and to deflect consumers' questions with small talk and irrelevant information so that "they are overwhelmed with info."
- **Trap consumers who change their minds:** When consumers ask to cancel or reverse a check-cashing transaction after learning the fee, All American employees sometimes lie and say that the transaction cannot be canceled, even when that is not the case. All American employees also falsely tell consumers that it will take a long time to reverse a transaction. In some cases All American's procedures actually do make it difficult or impossible for the consumer to cash the check elsewhere. For example, employees sometimes apply a stamp to the back of the check—such as "For Deposit Only: All American Check Cashing Inc"—effectively locking the consumer into the transaction.

Deceptively Promoting its Payday Loan Program for Consumers Paid Monthly

The Bureau alleged that All American offers payday loans to consumers in Mississippi, Alabama, and Louisiana. Since at least 2011, All American has implemented a multiple loan program for consumers who receive their benefits or paycheck once a month, such as people receiving Supplemental Security Income (SSI). The CFPB's complaint alleges that All American made deceptive statements to consumers about the fees associated with its monthly lending model, while internally describing it as a "huge income booster" due to the extra fees consumers ended up paying. The complaint alleges All American employees were instructed to aggressively pressure consumers into its monthly lending model, and one email about the program sent to all stores included a cartoon of an employee pointing a gun at a borrower saying "Take the \$ OR die!!"

The complaint alleges that, in Mississippi, for example, many of All American's competitors offer 30-day loans to borrowers who are paid monthly, but All American frequently provides borrowers with three or more two-week loans instead. The first loan is given at the beginning of the month, followed by a second loan to pay off the first, and finally a third loan to extend the borrowing until the end of the month. Mississippi law prohibits rollovers of payday loans, but All American has regularly rolled over consumers' loans as part of its multiple loan program.

The Bureau's complaint alleges that the defendants:

- **Promise a better deal but charge higher fees:** All American employees were instructed to tell consumers that “the fees are higher for competitors that offer [loans for] 30 days” and that “[c]ompetitors that offer 30 day advances are not able to help their customers twice a month like All American[.]” In fact, All American’s model was always more costly for consumers. In Mississippi, for example, a consumer getting a 30-day \$400 loan will pay a maximum of \$87.80 in fees. According to All American’s own training documents, the company could charge that same consumer \$120 in fees by giving them a series of smaller loans. Nonetheless, All American instructed its employees to misrepresent to consumers that borrowing according to the company’s multiple loan program was more financially beneficial than getting a 30-day loan from a competitor.

Retaining Consumers’ Overpayments

The Bureau’s complaint alleges that consumers sometimes make overpayments to All American when paying back a loan. This can happen when, for example, a consumer pays back a loan in cash at a store, and All American has already submitted an electronic payment request to the consumer’s bank. According to the Bureau’s complaint, from at least 2011 until at least 2014, All American did not notify consumers who overpaid on a loan. If the consumer did not request a refund, All American would delete the credit balance from their account. The CFPB’s complaint alleges that All American unfairly failed to provide refunds to hundreds of consumers.

Enforcement Action

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB can take action against institutions or individuals engaged in unfair, deceptive, or abusive acts or practices or that otherwise violate federal consumer financial laws. The complaint against All American Check Cashing, Inc., Mid-State Finance, Inc. and Michael Gray seeks monetary relief, injunctive relief, and penalties. The Bureau’s complaint is not a finding or ruling that the defendants have actually violated the law.

The CFPB’s complaint is available here:

http://files.consumerfinance.gov/f/documents/201605_cfpb_complaint-for-permanent-injunction-and-other-relief-all-american-check-cashing-inc.pdf 

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov .

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