



# BBB® Study: Payday loan scams and predatory lending

**Better Business Bureau® (BBB) study finds uneven laws and stolen data allow scammers and predatory payday loan companies to thrive.**

## Payday loans...

- Offer interest rates calculated weekly or biweekly rather than annually, allowing them to hide charges
- Target people desperately in need of cash but who often can't pay back
- Trap borrowers with:
  - stacking fees
  - triple-digit annual interest rates up to 650%
  - short-term repayment schedules
- Can be obtained in 32 states, most of which have different laws with varying interest rate caps
- From companies operating online make tracking the issue more difficult

## 2019-2021 complaints and reports

<b>2,996</b> complaints about payday loan companies with \$2.9 million disputed	<b>7,834</b> BBB Scam Tracker <sup>SM</sup> reports about loan and debt collection scams with losses of \$4.1 million	<b>117,415</b> complaints lodged against legal loan and debt collection companies with \$118.7 million disputed
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*Better Business Bureau*

**23,588**

reports about payday lending

*Consumer Sentinel Network - administered by the Federal Trade Commission*

**12 million Canadian dollars**

lost to advance fee scams

*The Canadian Anti-Fraud Centre*

For the complete study, visit [BBB.org/scamstudies](http://BBB.org/scamstudies)

## How the scam works

### Payday loan scammers:

- Steal information about payday loan customers
- Offer fake payday loans or pressure customers into believing they still owe money on debts
- Pose as debt collectors
- Want payment through tough-to-trace sources like gift cards, payment apps and money orders
- Threaten legal consequences if they don't act immediately

### Advance fee loan scammers:

- Ask for upfront fee payment on new loans

## Be wary of



Unexpected calls to apply for a loan or collect debt



Loan offers asking for a fee in advance of a loan



Handing over any personal information, especially bank account info



Short-term interest rates comparison

## Recommendations to regulators

- Cap consumer loans at 36%
- Make more people aware of no-fee extended repayment plans
- Require lenders to test whether consumers can repay loans
- Require Zelle, Venmo, and other payment services to offer refunds in fraud cases

Report scams on Scam Tracker