

Woman Wins Payday Battle

Attorney: Client Paid Lender \$1,700 In Interest On \$500 Tab

By [Pete DeLea](#)

HARRISONBURG - When Wilma Ruby, 70, entered a payday lending shop in Woodstock nearly six years ago, the widow only planned to borrow a couple of hundred dollars to fix her car.

But, in the end, Ruby ended up paying \$1,700 interest on a \$500 loan - a financial scheme that led city attorney Grant Penrod to volunteer his time to fight her battle in court.

"I didn't understand how they were getting away with this, and I didn't want them to get away with this," said Penrod, who first took on Ruby's lawsuit against the lenders while working for Blue Ridge Legal Services. "What was going on was wrong."

Last week, the fight paid off when the Virginia Supreme Court ruled in her favor and remanded the case back to a lower court, which will determine the amount of damages she's entitled to.

Recycling Loan

Ruby took out her first loan at Cash Advance Center in March 2005 and eventually was borrowing \$500 at a time. As part of the agreement, she was to repay the loan and pay an additional 15 percent fee, which came to \$75.

But living on a fixed \$624 monthly income, Ruby couldn't pay it back and still have money left over to meet her monthly needs.

In return, Ruby would repay the loan, plus the fee, and then immediately take out another loan for \$500.

"Her only choice was to take out another loan or default," said Penrod, who now works for his family's law practice, Hoover Penrod, in Harrisonburg. "She knew she was going to take out another loan as soon as she went in there. The loan company knew that, too. They wouldn't even put it in the cash register."

After 33 of these transactions, between March 2005 and November 2007, she contacted Blue Ridge Legal Services.

Penrod eventually took the lawsuit to trial in Shenandoah County Circuit Court in December 2009.

By the time the case went to court, the Virginia General Assembly already had passed legislation that clarified the law on the legality of refinancing payday loans. So, the question came down to what was legal prior to the 2008 law going into effect.

Penrod argued the company's practice was illegal because it was simply refinancing a loan, as outlined in state statute prior to 2008.

Attorneys for the payday business, which previously ran a store in Harrisonburg on Neff Avenue, argued the company was not violating state law because it was issuing a new loan, not refinancing an existing debt.

Circuit Court Judge Dennis Hupp ruled in favor of the payday company, but Penrod said Hupp struggled with the decision and encouraged him to appeal the case to the Virginia Supreme Court.

Penrod appealed the case and the court overturned the verdict Thursday. The case will now be sent back to the circuit court to determine how much money Ruby will receive.

The company, which no longer operates in Virginia, couldn't be reached for comment Tuesday.

Additional Cases Pending

John Whitfield, the legal service's executive director, has opposed payday lenders for years.

Whitfield said about a dozen residents in the Shenandoah Valley have cases similar to Ruby's and were waiting for the outcome of her case before filing theirs.

"It's been a chronic problem for low-income folks," he said. "When you're desperate, you will borrow money at any interest rate. These people have no place to turn."

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