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Summary of State, Dept. of Bus. and Industry v. Check City P'Ship, 130 Nev. Adv. Op. 90

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BUSINESS LAW: STATUTE INTERPRETATION

Summary

The Court interpreted NRS 605A.425 and concluded that the statute unambiguously provides that a borrower's deferred deposit loan is to be capped at 25 percent of the borrower's expected gross monthly income. This cap includes both principal and any interest or fees charged.

Background

NRS 604A.425 limits the amount of a deferred deposit loan to 25 percent of the borrower's expected gross monthly income. A deferred deposit loan is a transaction in which a borrower is given a loan that must be repaid in full within a short fixed period that cannot exceed 35 days. The lender typically charges a flat fee with an extremely high interest rate. As collateral, the borrower either (1) gives the lender a post-dated check that includes the principal amount and any interest or fees to be incurred, or (2) provides the lender with written authorization to electronically transfer the amount due from the borrower's bank account.

In 2008, the Nevada Financial Institutions Division (FID) began enforcing the 25-percent cap as including both the principal borrowed and interest charged. On two separate occasions, the FID informed Check City of this interpretation, but did not fine or cite it for issuing loans that violated the FID's interpretation of NRS 604A.425.

In June 2013, Check City filed a complaint for declaratory relief in the Eighth Judicial District Court seeking clarification of NRS 604A.425. Check City argued that the statute is ambiguous, and that the 25-percent cap was only on the principal amount borrowed and does not place a cap on interest incurred. The FID filed a motion to dismiss arguing that there was no justiciable controversy. The district court denied FID's motion to dismiss and granted Check City's motion for summary judgment. The district court held that the 25-percent cap only applied to the principal borrowed. The FID brought the immediate appeal to the Nevada Supreme Court.

Discussion

NRS 604A.425 caps principal, interest, and fees at 25 percent of borrower's expected gross monthly income

On appeal, the FID argued that the district court erred in concluding that NRS 604A.425's 25-percent cap only refers to the principal amount borrowed instead to the principal amount plus interest and fees. Check City relied on *Black's Law Dictionary's* since-revised definition of a "loan" to argue that the unambiguous meaning of "loan" in NRS 604A.425 only includes the amount borrowed. However, Check City's argument of the usual and natural meaning of the word "loan" conflicted with the Legislature's statutory definition. NRS 604A.080 defines "loan" by referring the reader to NRS 604A.050's definition of deferred deposit loan. NRS 604A.050 states a "[l]oan means any deferred deposit loan, high-interest loan or title loan,

¹ By Daven Cameron.

or any extension or repayment plan relating to such a loan.” In light of the Legislature’s statutory definition of loan, the Court found Check City’s argument was unpersuasive.

The Court did a plain reading of NRS 604A.425 and concluded that the statute clearly indicates that the principal amount borrowed is merely one aspect of the larger transaction. The statute states that as part of the overall transaction, the lender will “provide to the customer an amount of money that is equal to the face value of the check [held as security] . . . less any fee charged for the transaction.” By these terms, a deferred deposit loan transaction includes more than simply the principal amount borrowed; it also includes some consideration to the lender beyond the borrower’s promise to repay the amount borrowed. Therefore, the amount of a deferred deposit loan must be fixed by the value of the entire loan transaction, including principal, fees, and interest because NRS 604A.050 unambiguously defines a deferred deposit loan as “a transaction.”

The statutory definition of NRS 604A.050 for “deferred deposit loan” includes principal, interest, and any additional fees. This definition led the Court to conclude that the statute unambiguously limits the total amount of a deferred deposit loan transaction to 25 percent of a customer’s expected gross monthly income.

Conclusion

NRS 604A.425’s 25-percent cap on deferred deposit loans includes both the principal amount loaned and any interest or fees charged. NRS 604A.050 defines the phrase “deferred deposit loan” to include principal, interest, and fees, not just the principal amount borrowed. The statute’s language is clear and unambiguous. The Court reversed the district court’s decision granting summary judgment.