

Bankruptcy & Your Payday Loans

By: Dan Dodds

<http://doddsbankruptcylaw.com/>

[Payday loans](#) are short-term loans that carry interest rates that are higher than long term loans. They are also called “cash advances.” If a borrower is unable to pay a payday loan when it comes due, the high interest rate can cause a large debt to accumulate quickly. It is a common question whether filing [bankruptcy](#) will eliminate this debt.

Payday loans are typically treated like other unsecured loans. This means that they are generally discharged in a Chapter 7 filing. In a Chapter 13 case, the unsecured creditors are paid a percentage (0 – 100%) of what is owed to them. It is often pennies on the dollar of what is owed to the unsecured creditor.

If your payday loan involves a post-dated check for your loan, you will want to close the bank account prior to the bankruptcy filing. This is also true if you agreed for them to automatically remove funds from your bank account. By taking this action, it will prevent you from fighting over the money during your bankruptcy case.

It is important for debtors to understand that the lender of the payday loan can challenge your attempt to discharge their debt. The lender can argue that you obtained the loan knowing that you were going to discharge it in the bankruptcy case. Thus, many lawyers advise that you wait at least 3 months after the loan to file your case. Of course, most lenders will only challenge the discharge if the amount of the loan is worth their time and effort.

If you are considering filing a bankruptcy case and you have one or more payday loans, you should discuss it with your attorney.

If you live in the area of Surprise, Arizona, contact [The Dodds Law Firm, PLC](#), at [623-209-8923](tel:623-209-8923) begin of the skype highlighting 623-209-8923 end of the skype highlighting. [The Dodds Law Firm, PLC](#), serves clients primarily in the areas of Fair Debt Collection Practices Act violations, Chapter 7 and 13 bankruptcies, and issues of Unfair or Deceptive Business Practices. Mr. Dodds and his staff know how to listen carefully, and how to explain the law and procedures involved in a legal matter, as well as your rights and options, so that you can make informed choices.