

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of a Working Case to Draft a)
Rule regarding Utility Pay Stations and) File No. AW-2014-0329
Loan Companies.)

**CONSUMERS COUNCIL OF MISSOURI
COMMENTS AND DRAFT RULE**

The Consumers Council of Missouri (“Consumers Council” or “CCM”) is thankful to the Missouri Public Service Commission (“Commission”) for establishing this workshop, and for the opportunity to contribute to a collaborative effort that seeks to draft a rule that would provide reasonable protections to those customers choosing to pay their bills in person at a utility pay station.

Regulated electric, natural gas, water and sewer services are essential services necessary for basic health and safety in modern society. Thus, the Commission’s supervisory role is vital, and its legal authority is clear, with regard to the conditions of utility service, and specifically the conditions to which a utility must adhere for billing and accepting payment for utility service.¹

For many years, Consumers Council has been fielding concerns about those Commission-regulated utilities that (directly or indirectly) associate with pay agents that are also engaging in the practice of offering short term loans (also known as “payday loans”). Payday lending, and other similar financial practices, have been known to target cash-strapped individuals and families. Missouri is well-known for having some of the

¹ Section 386.250(6) RSMo.

most permissive laws with regard to allowing high interest payday lending terms.² It has also been shown that these practices have the ability to exacerbate economic hardship and can constitute predatory lending. While “predatory lending” is a not a term specifically defined under Missouri law, it is generally defined as "imposing unfair and abusive loan terms on borrowers," and must be understood in the entire context of a loan transaction.³

The context that exists when a short term lender also serves as a utility pay agent is a hazardous situation ripe for predatory behavior. Many low-income or otherwise financially vulnerable customers visit utility pay stations in Missouri in order to pay for essential services. Formal arrangements between Commission-regulated utilities and payday lenders create the appearance that the Commission sanctions such associations as financially safe, reputable, trustworthy, and in the public interest. However, the Consumers Council contends that such arrangements are unreasonably dangerous to consumers and calls upon the Commission to promulgate a rule banning the utilities that it regulates from associating with such lenders.

To the extent that payday lending can contribute to financial hardship, it threatens to siphon off consumer resources that could otherwise be used to pay for essential utility services. By depleting the money that could be used to pay utility bills, payday loans have the potential to increase the demand for federal and state low-income energy assistance dollars, to increase a utility's bad debt caused by uncollectible bills, and to make utility disconnections more likely. Higher demand for energy assistance funds strains government budgets and higher uncollectible utility

² See Section 408.500 RSMo.

³ FDIC Office of the Inspector General Audit Report “Challenges and FDIC Efforts Related to Predatory Lending”, Report No. 06-011 (June 2006).

accounts puts upward pressure on the rates paid by all utility consumers. In these ways, the topic of this workshop affects us all financially.

Consumers Council asks the Commission to restrict utilities from entering into formal pay agent relationships with payday lenders and other similar businesses, so that vulnerable consumers are no longer steered toward pay agent locations that have the potential to threaten their ability to continue paying their utility bills. Consumers Council proposes that the Commission thoughtfully consider the following rule, which is nearly identical to the rule jointly proposed during the recent Chapter 13 rulemaking by the Consumers Council, AARP, and Legal Services of Eastern Missouri:⁴

No utility may enter into any formal pay agent relationship with pawnshops, auto title loan companies, payday loan companies or other entities that are engaged in the business of making unsecured loans of five hundred dollars or less or that otherwise lend money where repayment is secured by the customer's postdated check.

Consumers Council looks forward to engaging further with the Commission and other workshop stakeholders on this topic on July 10, 2014.

Respectfully submitted,

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⁴ "Joint Comments On Proposed Rulemaking To Amend Chapter 13 Residential Service And Billing Practice Rules", filed on October 7, 2013 in Case No. AX-2013-0091, pp. 11-12.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing has been emailed to the Staff of the Missouri Public Service Commission's and the Office of the Public Counsel on this 25th day of June 2014.

/s/ John B. Coffman
