

## Payday Lending Rule Slated to Take Effect, 7 Years Later

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On June 14, the CFPB [published](#) a press release announcing that its 2017 [Payday, Vehicle Title and Certain High-Cost Installment Loans Rule](#) (“Payday Lending Rule”) will go into effect on or about March 30, 2025. According to the Bureau, the rule will target unfair and abusive practices in short-term installment lending and will aim to curb lenders’ efforts to repeatedly withdraw payments from a borrower’s bank account, even after knowing the borrower’s account was shown to have insufficient funds. The CFPB determined such debiting practices rarely benefited lenders and created negative consequences for borrowers such as overdraft and insufficient fund fees, or even account closures by their banks.

The Payday Lending Rule prohibits lenders from making more than two unsuccessful withdrawal attempts on a borrower’s account without borrower authorization. This “two-strikes” rule was slated to take effect in 2019. However, the regulation was met with substantial litigation culminating in the Supreme Court’s May 2024 [opinion](#) which upheld the constitutionality of the Bureau’s funding structure (previously discussed [here](#)). Following the High Court’s decision, the Supreme Court entered its [judgement](#) earlier this week, triggering the start of a 286-day countdown until the rule goes into effect.

While the Supreme Court’s decision seems to clear the way for the rule’s implementation, lenders and trade groups have indicated that their fight against the regulation will continue, with the possibility of additional litigation.

**Putting it into Practice:** Pending any future litigation, lenders will need to review and adjust their existing policies and procedures to comply with the rule. But the trade associations seem ready to go another round. We will continue to monitor the space for additional developments.

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