

CredibleLaw Merchant Cash Advance Enforcement Report

Lawsuits, Bank Levies, and Bankruptcy Trends Impacting U.S. Small Businesses

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Executive Summary

Merchant Cash Advance (MCA) financing has expanded rapidly in the United States over the past decade, particularly among small businesses that cannot access traditional bank credit. Alongside that growth has come a sharp rise in litigation, enforcement actions, and bankruptcy disputes involving MCA agreements.

CredibleLaw analyzed publicly reported litigation patterns, regulatory enforcement actions, and bankruptcy filings involving merchant cash advance obligations.

Aggressive Tactics

MCA disputes frequently involve aggressive collection tactics and rapid enforcement actions against small businesses.

230+ Bankruptcies

Bankruptcy cases listing MCA obligations exceeded 230 federal filings in a recent year, reflecting growing financial distress.

Stacked Agreements

Many disputes arise from stacked MCA agreements that overwhelm a company's cash flow and repayment capacity.

Enforcement Tools

Daily ACH withdrawals, UCC liens, and personal guarantees frequently drive litigation and financial collapse.

These trends highlight the growing legal complexity surrounding merchant cash advances and the challenges small businesses face when repayment structures become unsustainable.

What Is a Merchant Cash Advance?

A merchant cash advance is typically structured as a **purchase of future receivables** rather than a traditional loan. A funder advances capital to a business in exchange for a portion of future revenue.

Common Repayment Methods

- Daily automated ACH withdrawals
- Fixed weekly payments
- Percentage-based revenue holdbacks

How Courts Evaluate MCA Agreements

Courts increasingly examine several factors when determining whether an MCA is a true sale of receivables or a disguised loan:

- Whether payment amounts fluctuate with revenue
- Whether reconciliation rights are meaningful
- Whether the term is effectively fixed
- Whether the funder bears genuine risk if the business fails

Although MCA providers characterize these agreements as receivable purchases, disputes often arise over whether the transaction functions economically as a loan. These factors influence whether courts treat the transaction as a true sale of receivables or a disguised loan.

Merchant Cash Advance Lawsuit Statistics

Data compiled from bankruptcy filings, litigation reports, and industry analyses reveals several emerging trends in MCA-related legal disputes across the United States.

230+

Federal Bankruptcy Cases

Federal bankruptcy cases in a recent year disclosing merchant cash advance obligations.

4


Top States

Filings concentrated in Florida, Texas, New York, and California — the highest-activity states.

\$10B+

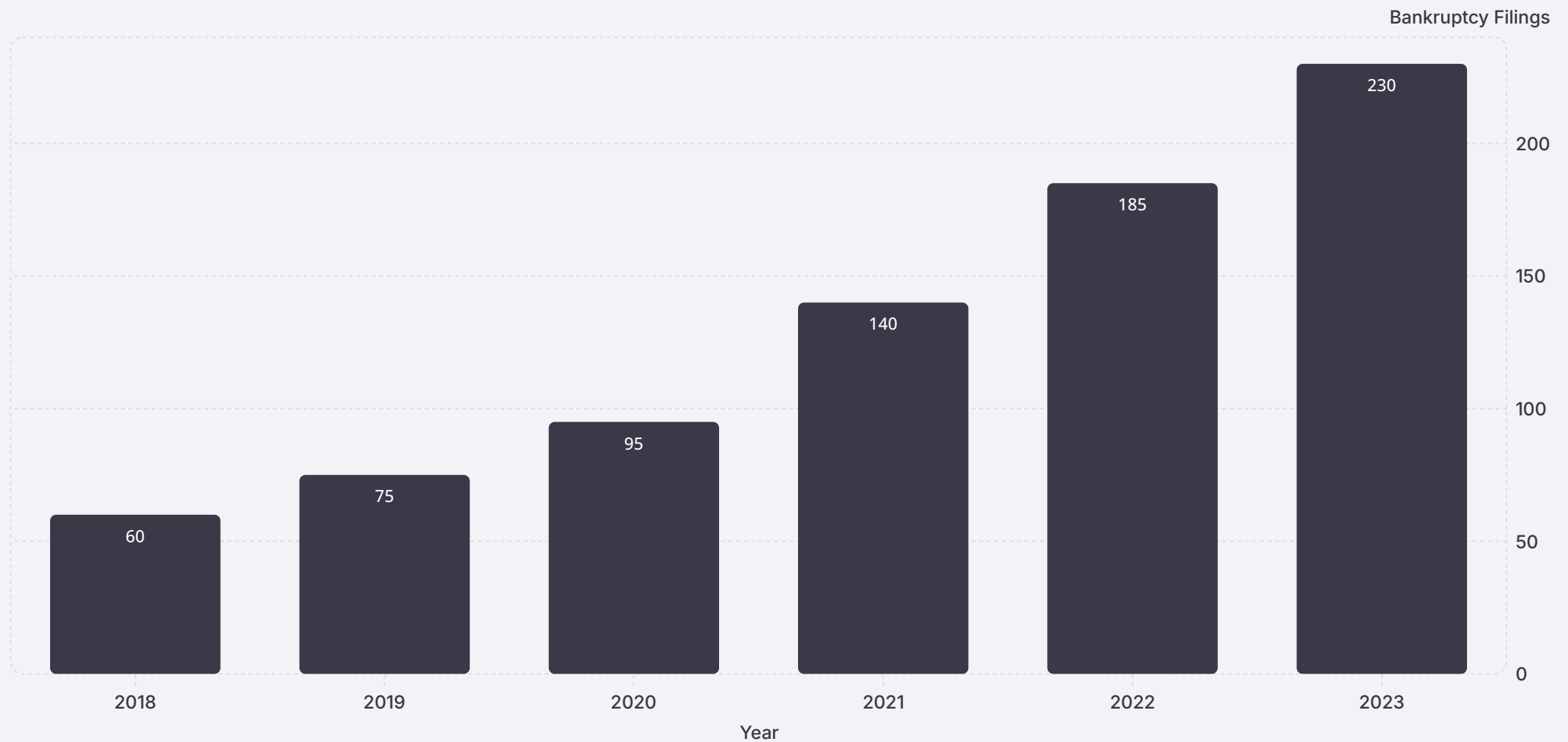
MCA Market Size

Estimated annual volume of merchant cash advance originations in the U.S. alternative lending market.

 Many bankruptcy cases involve multiple stacked merchant cash advances, indicating that MCA obligations frequently become part of broader financial distress events for small businesses.

MCA Bankruptcy Filings: 2018–2023

The steady increase in bankruptcy filings involving MCA debt reflects broader economic pressure on small businesses combined with the rapid expansion of alternative financing products.



From 60 filings in 2018 to over 230 in 2023, the nearly **4x increase** in MCA-related bankruptcy cases underscores the mounting legal and financial burden these agreements place on small business owners across the country.



Key Merchant Cash Advance Legal Traps

CredibleLaw's research highlights several contractual provisions and enforcement tools that frequently appear in MCA disputes and can rapidly destabilize a small business's finances.

Daily ACH Withdrawals

Many MCA agreements require daily automated withdrawals directly from a business bank account. When revenue declines, these withdrawals can quickly drain operating capital and leave businesses unable to meet basic obligations.

Confession of Judgment Provisions

Certain MCA agreements historically allowed lenders to obtain judgments quickly without traditional litigation, bypassing standard due process protections for business owners.

Default Judgments

Businesses that fail to respond to lawsuits may face rapid enforcement actions through default judgments, often before owners fully understand the legal proceedings against them.

Additional Enforcement Mechanisms

Beyond the initial contractual traps, MCA providers deploy a range of enforcement tools that can rapidly escalate financial and operational harm to small businesses.



Bank Account Levies

Court judgments may lead to bank account freezes or levies that disrupt payroll and daily operations, sometimes without advance warning to the business owner.



MCA Loan Stacking

Businesses often take multiple advances simultaneously, creating overlapping repayment obligations that collectively exceed daily cash flow capacity.



UCC Liens

MCA providers frequently file UCC-1 financing statements against business assets as collateral, which can block future financing and complicate asset sales.



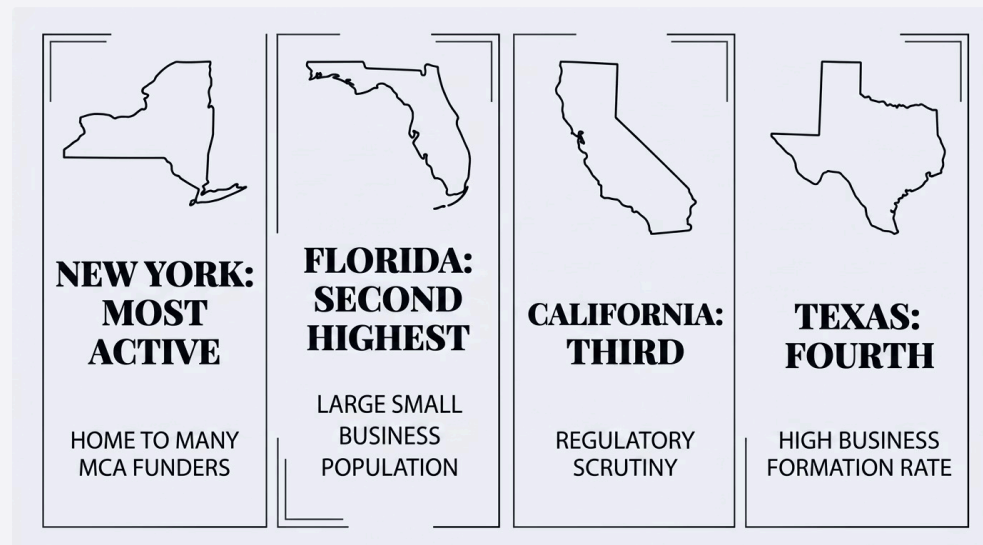
Aggressive Collections

Collection tactics frequently escalate rapidly after default, including litigation, enforcement actions, and direct contact with business banking institutions.

Geographic Litigation Patterns & Bankruptcy Trends

Highest Litigation Activity

Analysis of reported cases and industry commentary shows a strong concentration of MCA litigation in several key states. Many MCA contracts include **New York choice-of-law clauses**, which can influence where disputes are litigated regardless of where the business operates.



Inside Bankruptcy Proceedings

Bankruptcy filings involving MCA creditors have increased as businesses struggle with stacked financing obligations. Within bankruptcy proceedings, several critical issues arise:

- MCA claims may be treated as secured or unsecured depending on UCC filings
- Trustees may challenge certain transactions as preferential or fraudulent transfers
- Creditors may dispute dischargeability or plan treatment of MCA obligations

These issues are increasingly familiar to bankruptcy courts across multiple federal districts.

Practical Implications for Small Businesses

The statistics reveal several practical lessons for business owners considering or currently dealing with merchant cash advances. Understanding these implications early can make a significant difference in available options.

1 Escalation Happens Fast

MCA agreements can escalate into litigation quickly. The combination of daily withdrawals and aggressive enforcement means that financial distress can become a legal crisis within weeks of a missed payment.

2 Stacking Multiplies Risk

Businesses that take multiple advances face significantly higher risk of default. Overlapping repayment schedules can consume the majority of daily revenue, leaving no buffer for operational expenses.

3 Act Before Enforcement Begins

Enforcement actions may occur before owners fully understand their legal options. Early legal analysis often provides far more flexibility than responding after bank levies or judgments have already been entered.

i This report draws on federal bankruptcy filings referencing MCA obligations, reported litigation involving MCA agreements, regulatory enforcement actions by federal and state agencies, and commentary from legal practitioners involved in MCA disputes.

About CredibleLaw

CredibleLaw is an educational legal resource platform focused on complex commercial disputes and small-business legal issues. The platform provides guidance and referrals to help business owners navigate the legal complexities of alternative financing.



MCA Litigation

Guidance on merchant cash advance lawsuits and enforcement defense strategies.



Business Debt Disputes

Resources for businesses navigating commercial debt collection and creditor disputes.



UCC Liens & Enforcement

Information on UCC-1 filings, lien challenges, and enforcement action responses.



Bankruptcy & Restructuring

Referrals and educational content on bankruptcy options and business restructuring paths.

Learn More

Visit the full MCA lawsuit statistics resource at:

<https://crediblelaw.com/merchant-cash-advance-lawsuit-statistics/>

Main website: <https://crediblelaw.com>

Contact Credible Law

Phone: 888-201-0441

Speak with a legal resource specialist about your MCA situation today.