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Sent: September-08-15 3:20 PM
To: Office of the Mayor; clerk@hamilton.ca
Cc: marian.ross@cpla-acps.ca
Subject: Payday Loan Motion - Hon. Stan Keyes comments
Importance: High

Dear Mayor Eisenberger and Hamilton City Councillors;

I am given to understand that at tomorrow's council meeting, Councillor Matt Green will introduce the following Motion concerning the payday loan industry. Please consider the comments of the Canadian Payday Loan Association in bold type below.

Whereas, the Province of Ontario's Ministry of Consumer Services is responsible for the Consumer Protection Act and the Payday Loans Acts which regulates and licenses money lending businesses;

- **Following extensive consultation with all stakeholders Ontario introduced stringent regulations on the payday loan industry.**

Whereas, the Province of **Ontario regulates the interest rates of money lending businesses while Municipalities have the authority to regulate and license businesses to protect consumers** if this is not already done by the Province;

- **In fact the Province does not just fix interest rates, they have legislated extensive consumer protection. Their compliance department audits lenders on a regular basis. They have the ability to levy fines, penalties and revoke licenses which they have done with non-compliant lenders**
- **Retained by the province of Ontario, Deloitte provided the province with a study that determined the cost of providing a \$100 payday loan in Ontario to be \$20.63**
- **The payday loan industry in Ontario is legal and has been heavily regulated since 2009.**
- **Given the cost of operations, the cost of credit and the high default rates, Ontario found a balance between consumer protection and a viable industry.**

Whereas, **the use and expansion of payday loan** and cheque cashing outlets in Hamilton neighbourhoods is a significant consumer protection issue identified by the Hamilton Roundtable for Poverty Reduction and neighbourhood and community groups; and

- **the motion gives the impression that this is a rapidly expanding industry. In fact the opposite is true. Following the introduction of stringent regulation the payday loan industry has contracted in Canada. In Hamilton, there were 42 payday loans stores in 2012. Today there are 34. That is a reduction of 20%.**

Whereas, it is important that customers of payday loan and cheque outlets **have a complete understanding of the financial services being offered;**

- Provincial regulations already require prominent posters in the lobby of stores that completely disclose the cost of borrowing. Every loan agreement must set out loan fees and cost of borrowing in a standard format. The province continually consults with stakeholders on more effective forms of disclosure.
- Provincial surveys find that borrowers have a clear understanding of the costs of borrowing.
- CPLA brochures are in plain view and invite borrowers to learn more about whether using a payday loan is the right choice for them.

Therefore be it resolved:

- That the Mayor be authorized to forward correspondence to the Province of Ontario, to the attention of the Minister of Consumer Services, requesting that the protections afforded by the Payday Loans Act be strengthened and that Municipalities be authorized **to limit the number** and regulate the locations of payday loan and cheque cashing outlets;
 - **operators in Hamilton are regulated and licensed.**
 - **the industry is shrinking not expanding. Council should not pass bylaws to ban industries providing services that consumers demand. The demand does not go away, it goes elsewhere and in our industry it goes to unlicensed lenders.**
 - **payday loan outlets are located in all economic zones and tend to locate on high-volume transportation corridors in the same way as other businesses do.**
- That Staff be directed to research the feasibility of licensing payday loan and cheque cashing outlets to assist in consumer protection by **requiring the businesses to post their rates, show comparative and annualized rates and information regarding debt counselling.**
 - **These are consumer protection issues already addressed in regulations. By law, the rate must be posted. The APR must be posted.**
 - **Payday loans outlets who are members of the CPLA do provide customers with Credit Counselling information from two different non-profit agencies – The Canadian Association of Credit Counselling Services and Credit Counselling Services.**
- That staff analyze and map pay day loan and cheque cashing outlets in Hamilton and report back to Council on recommendations for **alternative accessible financial services for Hamilton residents.**
 - **The payday loan industry exists as a result of the failure of the banking industry and credit unions to serve Canadians with a small-sum, short-term loan product.**
 - **This is a product that has developed as a result of consumer demand.**
 - **The CPLA is supportive of efforts by council to explore alternative products and services by other providers for borrowers who need them.**

Two additional, important points – While the cost of payday loans can be implied as an annual percentage rate (APR), it is a distortion of the measure of the cost of the loan. The vast majority are two-week loans with one flat fee based on the total amount borrowed.

The loan CANNOT – by law – be borrowed for a year.

According to the not-for-profit credit counselling agencies (like CACCS) the payday loan represents but a small portion of the overall debt burden shouldered by those individuals who are financially troubled...usually less than 2% of the borrower's total indebtedness.

It is the unlicensed sector that is growing and being totally ignored.

Force the legal, licensed payday loan industry to close their doors because of over regulation or unprofitable interest rates and the demand will be driven to the unlicensed, unregulated online lenders.

Please do not hesitate to contact me if you have questions or concerns.

Best regards,
Stan

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