



18 May 2016

Payday Loan Cost of Borrowing Review  
Consumer Policy and Liaison Branch  
Ministry of Government and Consumer Services  
5<sup>th</sup> Floor, 777 Bay Street, Toronto ON

### **Examining the root cause of why we need payday loans**

The Bruce Grey Poverty Task Force has seen an increase in families who survive on part-time, seasonal or casual employment. In a 2013 survey of community members who use the service of food banks, social assistance, housing and employment agencies; people spoke of the toll that precarious work is taking on individuals and their families. Under employment or no employment challenges the ability of people to provide the basic necessities for their families.

**People simply do not have enough income to meet their basic needs in Grey Bruce. Therefore, we believe that the Ontario government needs to examine ways to reduce precarious work and to increase household income to a Living Wage.**

We believe that a reduction of the maximum total cost of borrowing a payday loan from \$21/\$100 to \$15/\$100 for a 14 day loan will not have much impact.

We know that access to small loans is necessary for consumers on low income. *But the provision of payday loans is not a positive solution.* There is a fundamental flaw in the existing banking system that does not respond to the needs of people on low income.

*We believe the current provision of payday loans does not contribute to families' financial security.* These loans are targeted in their marketing and encourage consumers to take out second and third loans. These loans actively promote a perpetual cycle of loans, debt and losses.

## **What should the government be investigating?**

The Bruce Grey Poverty Task Force believes the Ontario government needs to engage with the banks/credit unions to create programs for small loans to be offered to consumers on low income.

We believe the Ontario government should investigate other lending mechanisms that make micro-loans available to low income consumers.

We believe that consumers on low income need to be offered opportunities to build a good credit rating through loans and re-payment.

We believe Ontario's market for credit should be fair and safe. We believe that consumers should be well-informed about terms and conditions of loans.

We believe the Ontario government should investigate online payday lenders and compliance with existing regulations. Unlicensed lending is simpler to offer online and laws must be updated to protect consumers from technological changes. Much of the current legislation only applies to licensed lenders.

We believe that consumers seeking access to credit should not face undue financial hardship from the use of high-cost, short-term credit, such as payday loans.

## **Regulatory restrictions on the existing system**

The Ontario government's discussion paper states that "even with the low cost of borrowing and increased regulatory restrictions, Florida has more payday lending stores per capita than Ontario." This reinforces our position that the Ontario government needs to investigate better financial solutions to meet consumers' needs.

While the existing system of payday loans remains - as the only accessible consumer service for low to moderate income families in crisis - we would support the introduction of these regulations:

- The use of a transaction tracking system – a central registration for loans similar to the one used for bankruptcy and banks.
- More effective payback schedule and re-lending policy to ensure a first loan is paid off before a second loan is taken out.
- Mandatory information about and/or links to credit counselling.
- Creation of a contract agreement by the Ontario government to define the fair perimeters of a payday loan such as used under Tarion Warranty Protection
- Clear language to be mandated so consumers understand loan conditions similar to car sale and credit card regulated consumer information.
- Clear language and full disclosure on the total cost of borrowing including, start-up fees, NSF charges, the right to cancel, nonpayment fees and post default interest rates.

- Consumers need to be aware that licensing exists and they must be able to find licensing information more easily.
- Unlicensed lenders who request personal banking information are of particular concern as well as those that claim to be compliant with provincial legislation when they are not. The Ontario government needs to reduce the risks to consumers and to banks through regulations and if necessary, criminal charges.

We support the resolution of Grey County who acknowledge that payday loans as they exist now are predatory and that practice is not welcome in Grey Bruce.

We applaud the legislature work coming out of the Province of Alberta and are encouraged to read about credit unions and social agencies such as Momentum partnering to provide a micro-loan project to serve its communities.

Yours Sincerely,

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