



Canadian Payday  
Loan Association

Association canadienne  
des prêteurs sur salaire

## **SUBMISSION TO THE PUBLIC UTILITIES BOARD OF MANITOBA**

### **SUBMISSION REGARDING THE THIRD TRIENNIAL REVIEW OF ORDER 72/07**

#### **THE PUBLIC UTILITIES BOARD ALLOWABLE FEES FOR CASHING GOVERNMENT CHEQUES**

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The Canadian Payday Loan Association (“CPLA”) was formed in 2004 and represents responsible financial service companies who offer cheque cashing services as well as the payday loan product. Today the CPLA has over 19 members that hold lending licenses for approximately 940 stores and online lending platforms across Canada which represents 67% of the industry. In addition to payday loans, the majority of our members provide a range of personal financial products. The CPLA has 6 members in Manitoba that in total operate 30 payday loan and financial service outlets. These members in Manitoba provide cheque cashing services in all of their outlets in Manitoba.

Board Order 72/07 (“Initial Order”) set the maximum fee for the encashment of government cheques including cheques of the Government of Canada, Province of Manitoba and any government agency listed in the regulation to be the sum of \$3.00 plus 2% of the face value of the cheque (“Tariff”).

The Board conducted its first triennial review of the Initial Order in 2010. By Board Order 51/10 (“2010 Order”) issued May 12, 2010 reaffirmed the Tariff.

The Board conducted its second triennial review of the Initial Order in 2014. By Board Order 25/14 (“2014 Order”) issued March 7, 2014 reaffirmed the Tariff.

The CPLA believes the reasons for establishment of the maximum fee for the encashment of government cheques as confirmed by the 2010 Order and the 2014 Order are unchanged. The CPLA would like to restate their submissions in response to the notice of the second triennial review which are as follows:

At the hearing prior to the Initial Order, evidence was produced to establish that there was a competitive market place for cheque cashing services. Competition on price over time had the affect of reducing fees for that service with the result that today the most competitive price for the cheque cashing service is approximately 3% of the face value of the cheque.



In the hearing the Board heard evidence on the costs to provide the service as well as the fact that the government indemnifies banks against loss from encashment of many types of cheques through fraud but no such indemnity is provided to our members. In the Initial Order the Board reduced the fee for cashing government cheques by approximately 30% from the most competitive rates. The reduced fee chargeable for government cheques is in part subsidized by regular cheques.

As more and more businesses and institutions turn to direct deposit there are fewer and fewer cheques and so as a result fewer cheques to cash. The government by regulation has also steadily increased the types of cheques that are deemed "government cheques". The logical result is that the number of cheques cashed has steadily declined and a greater percentage of those cheques being presented for encashment are government cheques for which our member must charge the subsidized rate. Therefore, the economies of scale of efficient cheque cashers, to the extent that it exists, has been eroded steadily over the years.

Since the Initial Order came into force there has been little change in the ability for Manitobans can access cheque cashing services and low cost accounts from banks and credit unions.

The service provided by our members is still an important service to many Manitobans for the reasons set out in the Initial Order and the 2010 and 2014 Orders. While there is a cost associated with accessing the service, (because of the costs to provide the service), Manitobans still face costs for the alternative of maintaining a bank account to deposit the cheque into. Most importantly when a cheque recipient deposits a cheque in their bank account they usually cannot access those funds and are faced with a hold period on those funds that can be up to ten (10) days.

The service provided by our members provides a necessary and important access to credit for some consumers and a valued convenience for others. We feel it is important for the Board to make no further reduction in the rates currently in effect which will have the inevitable affect of further restricting or denying access to this service to those on social assistance without provision of an alternative.

As the Board is aware the CPLA attended and participated in the hearings in respect of Payday Loans which were held in April 2016. Such hearings significantly taxed the resources of the CPLA and its members. Should the Board determine that it will hold hearings we would advise you that because of the expense involved in participating in the hearing process it would not be the intention of the CPLA to participate. We thank you for the opportunity to provide this input.