

ANSWERS TO CPLA/Coalition 1-1

Subject Matter: Penalties for default loans
Reference: CPLA pre-filed evidence, p. 2

The Payday Loan Regulation (“Regulation”) provides:

(f) a penalty may be charged in relation to a default by a borrower under a payday loan of 2% of the amount of the default calculated monthly and not to be compounded (15.4(1)). (p. 2)

- a) Please confirm that the default penalty under *Payday Loans Regulation 99/2007* is “2.5% of the amount in default, calculated monthly and not to be compounded” rather than the 2% alleged by the CPLA.

Correct.

CPLA/Coalition 1-2

Subject Matter: The maximum fee and profitability
Reference: CPLA pre-filed evidence, p. 3 and p. 11

It is the CPLA’s submission that:

(d) The lower the maximum fee and the more restrictive the regulations, the fewer the companies that will be able to operate on a profitable basis. Manitoba has the lowest maximum lending rate and the most restrictive regulations of any regulated province in Canada and unlike the rest of Canada where there has been modest growth in the industry, this has led to a contraction of the industry in Manitoba. (p. 3)

The Minister accepted the PUB’s recommendation and set the maximum lending rate at \$17.00 per hundred. We believe their (sic) decision made the operations of many lenders in Manitoba no longer financially viable and as a result the number of lending outlets in the province has been reduced. (p. 11)

- a) Please provide the definition of “profitable basis” relied upon by the CPLA.

The business operations from the outlet realize a profit after payment of all costs

- b) Please provide the definition of “no longer financially viable” relied upon by the CPLA.

The business operations from the outlet do not generate enough revenue to cover the costs of operations.

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- c) Is it the submission of the CPLA that Money Mart is unable to operate in Manitoba on a profitable basis? Is it the submission of the CPLA that Money Mart is no longer financially viable in Manitoba? If the answer to either question is yes, please provide empirical evidence in support of your contention.

The CPLA does not have this information.

- d) Is it the submission of the CPLA that Cash Money is unable to operate in Manitoba on a profitable basis? Is it the submission of the CPLA that Cash Money is no longer financially viable in Manitoba? If the answer to either question is yes, please provide empirical evidence in support of your contention.

The CPLA does not have this information

- e) Please provide audited financial statements for the last four years of all CPLA members registered in Manitoba.

Money Mart is a wholly owned subsidiary of DFG Financial Inc. and does not file separate financial statements for Canada.

The financial statements for DFG Financial Inc. can be found at <http://ir.dfglobalcorp.com/phoenix.zhtml?c=177357&p=irol-reports>. The remaining CPLA members in Manitoba have declined to provide the CPLA with this information.

- f) Please provide detailed Manitoba financial statements for the last four years for Cash Money and Money Mart. These results should include only the revenues and costs directly attributable to the Manitoba operations not any arbitrary allocation of head office costs. (The Public Utilities Board will of course understand that the net profit thus calculated is not directly comparable to the net income of a single independent store operating in Manitoba.)

These companies have declined to provide the CPLA with this information.

- g) For each Manitoba outlet of a CPLA member, please provide:

1. Dollar volume of loans for each outlet in Manitoba in each year 2008 – 12.
2. Volume of internet payday loans or similar short term loans in Manitoba in each year 2008-12.
3. Distribution of loan sizes. For example: average loan size per year; number of loans by size category, e.g. less than \$200, \$200 - \$300, \$300 – 400; \$400 – 500, over \$500.
4. Percentage of loans that are repeat loans to the same customer within the last 12 months or during the same calendar year whichever is easier to provide.
5. The percentage of revenue and net income attributable to payday lending as compared to other services such as cheque cashing.

These companies have declined to provide the CPLA with this information.

- h) Please provide any empirical evidence in the possession of the CPLA regarding the impact of the recent recession or economic slowdown on Canadian and Manitoba outlets volumes of sales and revenues.

The CPLA does not have this information.

- i) In particular please provide any empirical Canadian and Manitoba evidence in the possession of the CPLA examining whether the volume of sales per outlet increases or decreases during recession.

The CPLA does not have this information.

CPLA/Coalition 1-3

Subject Matter: CPLA Standards

Reference: Pre-filed evidence of the Canadian Payday Lending Association, p. 4

The CPLA created industry standards of business practices for our members to protect consumers in absence of regulation. To foster and ensure compliance with the standards which were embodied in its Code of Best Business Practices, the CPLA established the Office of the Ethics and Integrity Commissioner, an independent and arm's length entity whose primary mandate was to monitor compliance with the Code. By 2009 the vast majority of Canada by population (excluding Quebec) had been regulated. Regulation in those provinces has replaced the Code of Best Business Practices and provincial consumer protection offices have assumed responsibility to ensure compliance with those regulations. Therefore in 2009, the CPLA dissolved the Office of Ethics and Integrity Commissioner and has put in its place the Consumer Response and Resolution Bureau ("CRRB") which receives and addresses questions and complaints of payday loan users in respect of payday loans they have taken from both CPLA members and non-members. (p. 4)

- a) Do all CPLA members in Manitoba include all fees in their calculation of the total fee? What about fees associated with debit cards?

Our members advise that they do.

Money Mart and Cash Money provide a debit card product. Money Mart indicates that their systems are set up such that they must physically deliver the cash to the customer before the customer can elect to purchase a debit card as a separate transaction. It is very unusual for a customer to purchase a debit card in connection with the loan transaction. Cash Money advises a debit card is not a requirement for receiving a payday loan.

- b) Do all members post fees in \$X/\$100 and APR? For all members, is this

information posted on walls and available in pamphlets? Do staff for all members explain how the cost of a payday loan compare with the cost of credit (e.g., from a credit card)?

We do not have this information. However, Section 16 of the Regulations requires all licensed lenders to post a sign 61 cm in width by 76 cm in height that is visible to borrowers immediately upon entering the location which states “Payday Loans are high cost loans”, “In Manitoba the maximum allowable charge for a payday loan is 17 percent of the principal amount of the loan” and a statement of a sample loan of \$300.00 for 12 days which sets out the total cost of credit and annual percentage rent. The bottom of the poster states “This information meets the requirements of the Consumer Protection Act” and posts the licensee’s license number. All our members advise that they are in compliance with this regulation.

- c) Please provide an explanation of the approach of Manitoba members to extensions: Do Manitoba members allow for clients to extend their loans? Please explain their process.

Our members all indicate they do not provide loan extensions.

- d) Please provide an explanation of the approach of Manitoba members to obtaining information or providing information to the credit bureaus, e.g., equifax and transunion?

Our members all indicate they do not use or provide information to credit bureaus.

CPLA/Coalition 1-4

Subject Matter: Number of outlets

Reference: CPLA pre-filed evidence, p. 6 and Schedules “A” and “B”

Based on the CPLA's outlet survey of January 2007 there were 71 outlets offering payday loans in Manitoba. Today, there are 40 licensed outlets and 3 internet lenders. (p. 6)

- a) Please provide the results of the outlet surveys of January 2006 and January 2005 for Manitoba.

The CPLA does not have this information.

Cannot locate outlet info for 2005-2006.

- b) On a year by year basis, please outline the number of Manitoba stores operated by Money Mart for its 2005 through 2013 fiscal years or alternatively as of January of each respective year;

2005 - 15
2006 - 17
2007 - 19
2008 - 20
2009 - 20
2010 - 20
2011 - 20
2012 - 20
2013 - 19

- c) On a year by year basis, please outline the number of Manitoba stores operated by Cash Money for its 2005 through 2013 fiscal years or alternatively as of January of each respective year.

2005 – 4
2006 – 4
2007 – 5
2008 – 5
2009 – 5
2010 – 5
2011 – 5
2012 – 5
2013 – 5

CPLA/Coalition 1-5

Subject Matter: Number of outlets

Reference: CPLA pre-filed evidence, p. 6 and Schedules “A” and “B”

Attached as Schedule “A” is a graph showing the growth of the industry in Canada since 2007. . . Attached as Schedule “B” is a graph showing the change in the number of store locations in Manitoba since January 2007. (p. 6)

- a) Please provide the sources for the store counts in Schedules A and B?

The store counts were assembled by the CPLA office by review of telephone book listings prior to provinces introducing regulation and licensing. Once lenders were required to become licensed the information was obtained from the licensing body in each province.

- b) In terms of Schedule A, please indicate whether Rentcash and Instaloes and their subsequent merged renamed company Cash Store Financial are included in

the counts for Canada every year? If not, in which years do you include them?

Yes, they are included in all counts in each province until last year when they were excluded from those provinces where they ceased to offer payday loans.

- c) In terms of Schedule B, please indicate whether Rentcash and Instalogs and their subsequent merged renamed company Cash Store Financial are included in the counts for Manitoba every year? If not, in which years do you include them?

Yes. They were excluded in 2013.

CPLA/Coalition 1-6

Subject Matter: Consumer Survey - Scope of Inquiry

Reference: CPLA pre-filed evidence, p. 6 and Payday Lending Users Study
Manitoba, May 2013

The survey provides information on the demographics of payday borrowers, their reasons for obtaining a payday loan, the awareness of fees and the awareness that the industry has been regulated. (p. 6)

- a) Did Environics ask what proportion of the sample used payday loans more than once?

No

- b) Did Environics ask how many times respondents used payday loans?

No

- c) Did Environics seek to identify repeat users in terms of age, income, education, etc.?

No

- d) Did Environics ask whether the reasons of repeat users for using payday loans differ from those who use a payday loan only once?

No

CPLA/ Coalition 1-7

Subject Matter: Consumer Survey - Scope of Inquiry
Reference: CPLA pre-filed evidence, p. 6 and Payday Lending Users Study
Manitoba, May 2013

The survey provides information on the demographics of payday borrowers, their reasons for obtaining a payday loan, the awareness of fees and the awareness that the industry has been regulated. (p. 6)

- a) Did Environics ask respondents currently paying \$17/100 loan whether they would be prepared to pay higher rates in order to make payday loan products more accessible to other Manitobans? If so, please summarize the response to that question.

No

- b) Did Environics ask respondents whether they would prefer to pay rates based upon the current rate (\$17/100) or at the higher Canadian average payday loan rates that the CPLA proposes? If so, please summarize the response to that question.

No

- c) Did Environics ask respondents whether they would prefer to pay rates based upon the current rate (\$17/100) or at rates lower than the current rates? If so, please summarize the response to that question.

No

CPLA/ Coalition 1-8

Subject Matter: Consumer Survey - Scope of Inquiry
Reference: CPLA pre-filed evidence, p. 6 and Payday Lending Users Study
Manitoba, May 2013

“Environics then contacted every lender and requested them to provide their customer lists on an anonymous basis for the study.” (p. 6)

- a) Please confirm that the survey is restricted to payday loan users unlike comprehensive surveys of the use of financial products such as the Canadian Financial Capabilities Survey.

That is correct

CPLA/Coalition 1-9

Subject Matter: Consumer Survey - Methodology and Sampling
Reference: CPLA pre-filed evidence, p. 6 and Payday Lending Users Study
Manitoba, May 2013

“Environics then contacted every lender and requested them to provide their customer lists on an anonymous basis for the study.” (p. 6)

- a) Please indicate whether all payday lenders in Manitoba cooperated in providing a complete customer list and, if not, the percentage of lenders who cooperated. How many Manitoba outlets are represented by the lenders who responded?

The CPLA does not have this information. It is proprietary to Environics

- b) Please indicate whether any firm(s) offering the “line of credit” product in Manitoba cooperated in providing a complete customer list and the percentage of “line of credit” lenders who cooperated.

The CPLA does not have this information. It is proprietary to Environics. To our knowledge no licensed lender in Manitoba offers a line of credit product.

CPLA/Coalition 1-10

Reference: Consumer Survey - Methodology and Sampling
Subject Matter: CPLA pre-filed evidence, p. 6 and Payday Lending Users Study
Manitoba, May 2013

“Environics then contacted every lender and requested them to provide their customer lists on an anonymous basis for the study. “ (p. 6)

- a) Please provide the time period that was used to define customers and whether that specific time period was used by all lenders in providing customer lists. Was a specific time period for customers (e.g. customers in the last two years) defined and applied uniformly across all lenders?

They asked for lists of customers who took loans within the last 90 days to ensure that respondents would have a good recollection of their experience. All lenders were asked to conform to this request.

CPLA/ Coalition 1-11

Reference: Consumer Survey - Methodology and Sampling
Subject Matter: CPLA pre-filed evidence, p. 6 and Payday Lending Users Study
Manitoba, May 2013

“The study was conducted through 250 interviews of borrowers . . .” (p. 6)

- a) Please provide the rate of non-response among those customers contacted by telephone.

The rate of non-response of customers was 94.9% which includes busy signals, no answers, voicemail, not available for duration of the call, quota full or disqualified.

- b) Please indicate what assessment, if any, was made of the characteristics of non-respondents compared to those who responded. (For example: the payday lender used, the location of the payday lender, and any other information available from the customer list.)

No assessment was made.

- c) Please provide the assessment, if any, of the characteristics of non-respondents compared to those who responded.

No assessment was made.

- d) Please provide the script for the Environics survey.

The script is attached.

CPLA/Coalition 1-12

Reference: Consumer Survey - Methodology and Sampling
Subject Matter: CPLA pre-filed evidence, p. 6 and Payday Lending Users Study
Manitoba, May 2013

“Environics then contacted every lender and requested them to provide their customer lists on an anonymous basis for the study.” (p. 6)

- a) Please indicate what procedures were followed for listed customers, if any, that could not be reached by telephone, whether this occurred because the customer did not have a telephone or because no telephone number was listed or found.

The databases requested all included contact names and telephone numbers. There were no missing telephone numbers in the databases.

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- b) Please indicate what percentage of those selected for the sample fell into this category, i.e. could not be contacted by telephone. (What is the rate of sample deselection arising from the absence of a telephone number?)

The proportion of numbers contacted that were determined to be not in service or invalid was 14.8%.

- c) Please indicate what assessment, if any, was made of the characteristics of those, if any, who could not be contacted by telephone compared to those who were contacted. (For example, the payday lender used, the location of the payday lender, and any other information available from the customer list)

For privacy reasons, Environics explicitly requested that the lenders not provide any details about the lender and the nature of the loans beyond their names, telephone numbers and addresses. Thus, it is not possible to make comparisons between those not contacted and those who were.

- d) Please provide the assessment, if any, of the characteristics of those, if any, who could not be contacted by telephone compared to those who were contacted.

No assessment was possible.

CPLA/Coalition 1-13

Reference: Consumer Survey - Methodology and Sampling
Subject Matter: CPLA pre-filed evidence, p. 6 and Payday Lending Users Study Manitoba, May 2013, Respondents Profile, p. 4

The survey provides information on the demographics of payday borrowers, their reasons for obtaining a payday loan, the awareness of fees and the awareness that the industry has been regulated. (p. 6)

- a) Please indicate whether income refers to personal income or household income.
- b) Please indicate what respondents were asked to include in income (i.e. only wages and salaries or other income sources as well).

Income refers to household income. The question asked respondents "What is the total annual income of everyone in your household before taxes." Prompt options for grouped ranges were then offered (<\$25,000; \$25,000 to less than \$50,000; \$50,000 to less than \$75,000; etc.).

CPLA/Coalition 1-14

Reference: The Manitoba Market as a target for unlicensed lenders
Subject Matter: CPLA pre-filed evidence, p. 7, LeapordLoanCanada.com, loanmeit.com, instantpaydaycanada.com, planetloaninc.com, capitalcash.ca, fastfunds.ca, paydayinca.ca, canadianloans24h7.com, etc.

If regulations are too onerous and maximum rates too low, then good credible lenders leave the market. Demand for credit remains and the market becomes a target for unlicensed lenders. This has been the experience in other jurisdictions. This may, or possibly already has become, Manitoba's experience. (p. 7)

Attached as Schedule "F" is a sample of web pages found from doing a scan conducted on May 9th, 2013 of internet lenders who offer to provide payday loans in Manitoba that to our knowledge are not licensed in Manitoba. (p. 8)

- a) Is it the evidence of the CPLA that Manitoba is the only province in which each firm cited in Schedule F is offering unlicensed services? Can the CPLA confirm that Manitoba is the only province in which each firm cited in Schedule F is offering unlicensed services?

No that is not the evidence of the CPLA

CPLA/Coalition 1-15

Reference: The Manitoba Market as a target for unlicensed lenders
Subject Matter: CPLA pre-filed evidence, p. 8

Attached as Schedule "G" is a copy of a loan agreement and related documents entered into on May 10, 2013 by a Manitoba resident who obtained a payday loan from an internet company called "Paydayhere.com" for the sum of \$200.00 for a term of six (6) days to be repaid on May 16, 2013 by pre-authorized debit. (p. 8)

- a) Please provide the evidence relied upon by the CPLA to conclude that the borrower in question was unable to get loans in Manitoba from a licensed Manitoba lender.

No that is not the evidence of the CPLA

CPLA/Coalition 1-16

Reference: The Manitoba Market as a target for unlicensed lenders

Subject Matter: CPLA pre-filed evidence, p. 9

We were advised of a prospective Manitoba borrower that attempted to obtain a payday loan from one of the websites listed on Schedule "F".
(p. 9)

- a) Please provide the evidence relied upon by the CPLA to conclude that the prospective borrower in question was unable to get loans in Manitoba from a licensed Manitoba lender.

No that is not the evidence of the CPLA

CPLA/Coalition 1-17

Reference: The Manitoba Market as a target for unlicensed lenders

Subject Matter: CPLA pre-filed evidence, p. 9, Schedule I, Los Angeles Times Excerpt, pages 1 of 3, 2 of 3 and 3 of 3

Attached as Schedule "I" are several articles describing this practice. The Los Angeles Times indicates that this is often a "rent-a-tribe" scheme where "tribes are being paid to offer their sovereign immunity to non-Indian payday lenders that are trying to dodge state regulations." (p. 9)

- a) Please confirm that the following headlines found in the CPLA, Schedule I, Los Angeles Time excerpt are advertisements and not part of the LA Times story:

The CPLA confirms the excerpts are advertisement and not part of the LA Times story.

Bad Credit – No Problem

Government Approved-Fast Approval Interest Free Canadian (sic) Debt Help
debtgone.ca(Los Angeles Times Excerpt, pages 1 of 3)

Car Loans Canada Online

99% approvals regardless of credit. Excellent terms/rates.
Nationwide www.CarLoansCanada.com (Los Angeles
Times Excerpt, pages 2 of 3)

Second Mortgage Loan

Second Mortgage Brokers in Alberta Contact Us For More Info!

www.getthatloan.ca (Los Angeles Times Excerpt, pages 3 of 3)

- b) Please provide any evidence in the possession of the CPLA of criminal elements operating in Manitoba who are granting payday loans or similar short term credits to Manitoba residents who would have qualified for a payday loan from a registered payday loan company.

The CPLA does not have such evidence.

- c) Please provide any evidence in the possession of the CPLA that criminal elements operating in Manitoba who are granting payday loans or similar short term credits to Manitoba residents who would have qualified for a payday loan from a registered payday loan company have increased their activity since the introduction of rate caps in Manitoba.

The CPLA does not have such evidence.

CPLA/Coalition 1-18

Subject Matter: National Average
Reference: CPLA pre-filed evidence, p. 11

We believe the rate of \$17.00 has been set too low and respectfully recommend the Board raise the maximum lending rate to be in line with the national average. (p. 11)

- a) How does the CPLA calculate the national average? What weight is given to the rate set in larger high cost provinces such as Ontario compared to smaller high cost jurisdictions such as Nova Scotia?

The rate in Ontario is \$21.00. The rate in Nova Scotia and PEI (when it proclaims its regulations) is \$25.00. BC, Alberta and Saskatchewan is \$23.00. The CPLA would recommend a maximum rate of \$23.00.