

Manitoba Consumers' Experiences with Payday Loans: Pricing and Practices of Licensed Payday Lenders in Manitoba

9 March 2016

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Introduction

This research conducted on payday lenders in Manitoba explores the payday loans process and attempts to determine more clearly:

- how they are made available to consumers;
- what the application process requires;
- what fees and interest rates are involved in borrowing from a payday lender, and;
- how clear and complete is the repayment information they provide to customers.

The purpose of this research is to contribute to the Manitoba Consumers' Experiences with Payday Loans study being carried out on behalf of the Public Interest Law Centre.

Methods

The following data being reported were provided by the lending companies Money Mart, Cash Money, MoneyMax, The Money Tree Payday Loans, 310 LOAN, Loan Express, AI Financing & Loans, Swan River Payday Loans, The Pas Payday Loans, Parkland Payday Loans and The Fast Cash Company, all of which are currently licensed to operate in the province of Manitoba.

The three methods utilized to complete this research included structured in-person interviews, structured telephone interviews and online data analysis. These methods were selected according to the location of the payday lender and the type of service they

provide. Although it was not always necessary to use all three methods for a specific location, in instances where data was not completely satisfied by the in-person or telephone interview, additional data was retrieved from the payday lender's website. The sample of locations was selected in consideration that large payday lending chains would consistently operate under an established set of rules and guidelines, thus, making it more of a priority to select a variety of lending companies rather than multiple outlets of the same lender.

Considering that 310 LOAN and Loan Express operate as online payday lenders, the main method used to examine their policies was online data analysis, in order to remain consistent with the information they provide to their customers. As for The Pas Payday Loans operating out of The Pas, Swan River Payday Loans in Swan River, A1 Financing & Loans in Thompson, Parkland Payday Loans in Dauphin and The Fast Cash Company operating out of Brandon and Steinbach, the methods used to engage with these lenders included structured telephone interviews and online data analysis.

The two largest payday lenders operating in the province, Money Mart and Cash Money, allowed for the possibility of structured in-person interviews because of their high frequency of outlets found throughout Winnipeg. Additional information was retrieved from their websites where potential customers are able to submit their applications for approval of a payday loan online.

An in-person interview was conducted with the manager of MoneyMax and a telephone interview with the manager from The Money Tree Payday Loans Company – payday lenders with just one location respectively in Winnipeg – providing representation from smaller payday loan companies as well.

The structured telephone and in-person interviews were conducted with employees and management in an overt manner, in that the researcher revealed their identity, the purpose of their questions and the intended use of the data being gathered. The conversation began with the statement: "Hello, my name is – and I am conducting research on behalf of the Public Interest Law Centre. Basically my role is to speak with lending agencies to

ask a couple of questions about your services in order to determine how you are benefiting consumers in Manitoba”.

This imposed a limitation on the research because the interaction with employees and management may not be consistent with what an actual customer would experience. Further examination is therefore necessary for an authentic report on customer service and the point at which information is made available to customers during the payday loan application process.

Results

Payday loans are widely accessible across the province of Manitoba. Payday lending companies are located in urban and suburban neighborhoods of varying socio-economic backgrounds, serving customers from cities, towns and reserves, in addition to payday loans being made available online by specific lenders. Based on a cursory scan, determining factors for the location of payday lenders within the city of Winnipeg included proximity to other services (mainstream banks, casinos, liquor marts etc.), prominent intersections and high-traffic bus stops. The locations surveyed were selected to ensure a wide range of areas would be represented in the research. Data are summarized in table 1, found at the end of the report.

The Pas Payday Loans¹ does not provide any services besides payday lending. The loan amount can range from a minimum of \$100 to a maximum of \$1,500. The amount requested by the borrower is limited by their income, as it may not exceed 30% of their previous month’s net income. The fee for their loan service is not provided anywhere on their website prior to filling out the entire application, but a representative of the agency disclosed that they charge \$17 per \$100 borrowed.

The Pas Payday Loans also indicated that APR was not explained to customers unless specifically asked. Applicants are required to provide government identification, a bank statement and a void cheque or pre-authorized payment form. If applicants have an outstanding loan, they are not considered eligible for an additional one. There is, however, no effort made to determine if they have an outstanding loan with a different

¹ Telephone interview with The Pas Payday Loans conducted on January 29, 2016.

lender. According to the representative of The Pas Payday Loans, they will loan on “any kind of pay that’s directly deposited”. However, a secondary call revealed that they will only loan on payroll cheques, child tax credit (CTC), Canada Pension Plan (CPP) and disability.²

The Fast Cash Company³ operates outside of Winnipeg with locations in Steinbach and Brandon, Manitoba. In addition to payday lending, they offer prepaid credit cards, cheque cashing, money transfer and income tax services. The fee for their payday lending service is presented as \$17 per \$100 borrowed. The person with whom I spoke suggested that it is not necessary to discuss APR with customers and it was not available on their website.

The size of loan offered to customers is limited by their previous month’s income, with a maximum of 30% being offered. Customers who have an outstanding loan from them are not eligible for additional borrowing; whereas an outstanding loan from a different agency is not considered as a determinant (the representative stated that it would be very difficult to acquire this information). Applicants must provide them with their social insurance number (SIN), government issued identification, a bank statement and current pay stub. Aside from payroll cheques, The Fast Cash Company will loan on disability, unemployment assistance and bank cheques.

Parkland Payday Loans⁴ has a single outlet located in the city of Dauphin, Manitoba. They charge borrowers 17% with the fee displayed as \$17 per \$100 and as an APR. They maximum loan amount they offer is limited to 30% of the borrower’s previous month’s income. In addition to payday loans, they offer cheque cashing services, title loans, jewelry purchase, and cash for gold and pawn services. In order to access their payday loan service, the applicant is required to produce two pieces of identification (one photo is mandatory), two blank cheques, proof of address, a current bank statement, employment information and a direct deposit form. Despite several attempts to conduct a

² Secondary call to The Pas Payday Loans made on March 8, 2016.

³ Telephone interview with The Fast Cash Company conducted on January 29, 2016.

⁴ Telephone calls were made to Parkland Payday Loans on February 29 and March 8, 2016. The employees were hesitant to answer questions. Additional info taken from: www.parklandtitleloans.com

phone interview with a representative, no additional information about Parkland Payday Loans' services could be acquired.

Swan River Payday Loans⁵ operates out of a single outlet in the town of Swan River, Manitoba. The fee they charge is \$17 per \$100 borrowed with the APR displayed in the outlet. The size of loan they offer ranges from a minimum of \$100 to a maximum of \$1,500, limited to 30% of the borrower's previous month's income. They do not offer additional loans to customers who currently have an outstanding loan with them, but outstanding loans with other companies are not considered to be a factor. Applicants are required to produce photo identification, proof of address, employment information, a bank statement and pre-authorized payment form.

In addition to payroll cheques, Swan River Payday Loans will lend on CPP and CTC. Although they do not offer any additional services to payday loans (besides occasional cheque cashing), accessing their website⁶ suggests that they offer payday loans online as well. However, there was very limited information available about their online loan service.

A1 Financing & Loans⁷ has two outlets in Thompson, Manitoba. The fee they charge for a standard payday loan is 17% with a reduced fee of 5% on replacement loans. They do not charge any late payment fees to their customers. The fee is displayed as \$17 per \$100 borrowed and as an APR.

The amount of the loan is limited to 30% of the borrower's net income, but the maximum is not always granted and is determined on a case by case basis. They strongly encourage that their customers do not borrow more than is necessary. Further loans are not approved while the customer has an open loan with them, but if the customer does need more money urgently within 7 days of repayment, an additional loan is offered as long as it does not exceed 30% of their previous month's income and it is offered at a reduced rate

⁵ Telephone interview with Swan River Payday Loans conducted on February 29, 2016.

⁶ www.paydayloans-on.ca/MB/Payday-Loans-Swan-River.html.

⁷ Telephone interview with A1 Financing & Loans conducted on February 29, 2016.

of 5%. As for open loans with other companies, they do review bank statements to determine where customers have previous commitments, but discovering such a thing does not necessarily disqualify them from being eligible to borrow.

Applicants are required to provide their SIN, photo identification, employment information (personal pay stubs matching deposits), a bank statement and a pre-authorized payment form. In addition to payday loans, A1 Financing & Loans offers prepaid Visa cards and tax services. They will only lend on payroll cheques, but in some cases will accept CPP as well. It was expressed that for purposes of their customer's financial well-being, they do not consider disability, social assistance or CTC as part of monthly income when determining how much they are eligible to borrow.

310 LOAN⁸ is a licensed online lender that charges 17% with an APR of 517.08% revealed below the amount requested. In instances of non-repayment, their website states the borrower's loan will be subjected to a \$50 one-time overdue fee and an interest rate accrual of 30% per annum on the unpaid amount. The loan amount that they offer ranges from a minimum of \$50 to a maximum of \$1,500.

Although it is also stated the customer's limit is determined by their net income, it was only after engaging with the online application process that I discovered I was eligible to borrow up to 30% of my bi-weekly income (e.g. \$360 based on \$1,200). Customers are not considered eligible for additional loans until all previous outstanding balances are paid in full. It is not specified whether or not this policy is applied to outstanding loans from other payday lenders. The borrower is required to provide 310 LOAN with a valid bank statement, proof of employment, SIN, a blank cheque or pre-authorized payment form, as well as the contact information for 2 referees. Those who receive CPP, employment insurance or social assistance are not eligible to open an account with them.

Loan Express⁹ provides online payday loans at a minimum amount of \$100 with no maximum amount specified. It is also not specified whether or not the amount a customer

⁸ Information for 310 LOAN was accessed via their website: www.310loan.com.

⁹ Information for Loan Express was accessed via their website: www.loanexpress.ca.

is eligible to borrow is limited by their income information. Before any personal information is entered, a window appears that warns the consumer about the ‘high-cost’ nature of payday loans. It not only specifies the charge as a percentage of the principal amount (\$17 per hundred dollars), but breaks it down as an APR as well. They disclose that the APR of a \$300 loan for 12 days is 517.08%.

However, on the general information page it is also indicated that “you are not borrowing money for an entire year, only a small fraction of a year”. Although the applicant is not eligible for an additional loan until it has been repaid in full, Loan Express does not reject customers who have open loans with other companies. The loan applicant is required to give their SIN, employment information, home address and phone number, as well as the names and contacts of two referees. Aside from payroll cheques, Loan Express will accept Child Tax Credit, Old Age Security, Pension, Disability and most other government benefits.

MoneyMax¹⁰ has one outlet in Winnipeg located outside of downtown on Portage Avenue that offers payday loans and cheque cashing services. The fee they charge for a payday loan is clearly displayed as \$17 per \$100 borrowed with an APR of 517.08%. As explained during the interview with the store manager, they apply the same formula to all applicants, which is: *net income of previous month x 12 / 26 x 30%*.

MoneyMax will not offer additional loans to customers who have an open loan with them. They do, however, consider applicants who have an open loan with a different payday lender as eligible. They also offer extensions to their customers that in certain cases (family emergency, unforeseen cut in hours at work, etc.) accrue no extra charges. MoneyMax requires their customers to provide them with their SIN, government issued identification, a bank statement, a utility bill and a blank cheque or pre-authorized payment form. In addition to payroll cheques they will accept CPP cheques, but not CTC, social assistance or employment insurance.

Money Tree Payday Loans¹¹ has one outlet located in Winnipeg, Manitoba. They charge a fee of \$17 per \$100 borrowed that is displayed in that form and as an APR. The amount

¹⁰ Interview conducted with MoneyMax manager on January 25, 2016

they loan is limited to approximately 30% of the borrower's previous month's income, determined by the formula outlined in s. 151.1 (1) of the Consumer Protection Act. They do not provide an additional loan to customers who have an outstanding loan with them, but do not consider outstanding loans from other companies as a determinant. They require their applicants to produce government issued identification with a photo and proof of address, a current bank statement, employment information (two most recent pay stubs), a utility bill and a pre-authorized payment form or blank cheque. Aside from payroll cheques Money Tree Payday Loans will only lend on CPP cheques.

Money Mart¹² displays their payday loan fee as \$17 per \$100 borrowed in their outlets. The APR is not displayed, nor is it mentioned in the Cash Advance flyer they provide, but it is broken down online as 443.21% on a \$300 loan for 14 days. The loan amount can range from a minimum of \$70 (\$120 online in Manitoba) to a maximum of \$1,500, but approval is limited by level of income, as customers cannot receive more than 30% of their previous month's net pay.

Customers who are unable to repay their loan on time are not eligible for additional loans. Applicants are required to provide their SIN, government issued identification, a bank statement, employment information, and a pre-authorized payment form or blank cheque. Aside from payroll cheques, Money Mart will borrow on CPP, CTC, and disability cheques.

In addition to payday loans Money Mart offers cheque cashing, titanium prepaid cards, cash for gold, money transfer, easy-tax services, bill payments and currency exchange. The Money Mart website provides a wide range of information within the 'consumer education' section, including 'smart use of a payday loan' and online financial literacy courses free of charge.

¹¹ Telephone interview with Money Tree Payday Loans conducted on March 3, 2016

¹² Interview conducted with Money Mart employee on January 26, 2016 / Additional information accessed via their website: www.moneymart.ca.

Cash Money¹³ charges a \$17 fee per \$100 borrowed, displayed as a percentage of the principle amount and an APR in their outlets. In addition to payday loans, they offer cheque cashing services, prepaid MasterCards, money orders, money transfers, currency exchange and cash for gold. The maximum amount loaned is \$1,500, but approval is limited by net income, as applicants may not receive more than 30% of their previous month's pay.

A customer that is not able to repay on time will not be considered for any additional borrowing, but open loans with other payday lenders will not affect their eligibility. Cash Money requires all applicants to provide their SIN, government issued identification, a current bank statement, employment information and a pre-authorized payment form or blank cheque. Aside from payroll cheques, Cash Money accepts CPP, CTC, employment insurance and disability.

Discussion

The employees and managers of the companies interviewed seemed to understand payday loan regulations.¹⁴ It was found that aside from The Pas Payday Loans, Swan River Payday Loans and Money Tree Payday Loans, all others companies requested a SIN number (Parkland Payday Loans did not specify).¹⁵ In some cases it was suggested that applicants are able to decline providing personal information, but they are also “free to deny the applicant's loan request”. In other cases it was stated that a social insurance number was simply required to differentiate between customers in their system with the same name.

Finally, the in-person and telephone interviews revealed that none of the payday lenders I engaged with consider outstanding loans from other companies as a determinant of the applicant's eligibility (aside from 310 LOAN that does not specify either way on their website). In one case it was suggested that this was because of s.13.1 (3) of the Payday

¹³ Interview conducted with Cash Money employee on January 26, 2015 / Additional information accessed via their website: www.cashmoney.ca.

¹⁴ Information retrieved from the Manitoba Tourism, Culture, Heritage, Sport and Consumer Protection Annual Report, 2014-2015.

¹⁵ The website [http://www.gov.mb.ca/cca/cpo/faq_payday_c.html] states in FAQ #8 under Consumer Alert that borrowers are not required to provide payday lenders with their SIN.

Loans Regulation that sets a minimum amount of days a lender must wait before providing an additional loan, as well as s.151 (1) of the Consumer Protection Act that regulates the amount consumers are eligible to borrow.

In relation to this issue, a number of the payday lenders I spoke with expressed concern over the possibility of reducing the maximum amount loaned to 25% of the borrower's net monthly income, suggesting it might increase the rate of multiple payday lender use.

Table 1: Pricing and Practices of Licensed Payday Lenders in Manitoba

Item	The Pas Payday Loans	The Fast Cash Company	Parkland Payday Loans	Swan River Payday Loans	A1 Financing & Loans	310 LOAN
Disclosure of Fee	\$17 per \$100	\$17 per \$100	\$17 per \$100 & APR	\$17 per \$100 & APR	\$17 per \$100 & APR	\$17 per \$100 & APR
Amount Loaned (as % of income)	30% of previous month's income	30% of previous month's income	30% of previous month's income	30% of previous month's income	25-30% of previous month's income	30% of bi-weekly income
Type of Income Loaned on	Payroll Cheques, CTC, CPP & Disability	Payroll Cheques, Disability Band Cheques & Unemployment	unknown	Payroll Cheques, CTC & CPP	Payroll Cheques & CPP (determined on a case to case basis)	Payroll Cheques & CPP
Services Provided	Payday Loans	Payday Loans, Prepaid Cards, Cheque Cashing, Money Transfers, & Tax Services	Payday Loans, Cheque Cashing, Title Loans, Jewelry Purchase & Cash for Gold	Payday Loans	Payday Loans, Prepaid Visa & Tax Services	Payday Loans
Eligibility Based on Outstanding Loan	Applicants cannot have outstanding loan with them, but can with other loan companies	Applicants cannot have outstanding loan with them, but can with other loan companies	unknown	Applicants cannot have outstanding loan with them, but can with other loan companies	Applicants cannot have outstanding loan from them, but can with other loan companies	Applicants cannot have outstanding loan with them (other loan companies not specified)
Personal Information Required	Government Issued ID, Bank Statement & Pre-authorized Payment form/Blank Cheque	SIN, Government Issued ID, Bank Statement Employment info & Blank Cheque/Pre-authorized Debit	2 Pieces of ID (one photo), Proof of Address, Employment Info, Bank Statement, 2 Blank Cheques/Direct Deposit form	Picture ID, Proof of Address, Bank Statement, Employment info & Pre-authorized Debit	SIN, Picture ID, Bank Statement, Employment info & Pre-authorized Payment form	SIN, Bank Statement, Employment info & Pre-authorized Payment form/Blank Cheque

	Loan Express	MoneyMax	The Money Tree Payday Loans	Money Mart	Cash Money
Disclosure of Fee	\$17 per \$100 & APR	\$17 per \$100 & APR	\$17 per \$100 & APR	\$17 per \$100 (APR online only)	\$17 per \$100 & APR
Amount Loaned (as % of income)	Not specified	30% of previous month's income	30% of previous month's income	30% of previous month's income	30% of previous month's income
Type of Income Loaned on	Payroll Cheques, CPP, CTC, Old Age Security & Disability	Payroll Cheques & CPP	Payroll Cheques & CPP	Payroll Cheques, CPP, CTC & Disability	Payroll Cheques, CPP, CTC, Employment Insurance &

					Disability
Services Provided	Payday Loans	Payday Loans & Cheque Cashing	Payday Loans & Cheque Cashing	Payday Loans, Installment Loans, Cheque Cashing, Prepaid Cards, Cash for Gold, Money Transfers, Tax Services, Bill Payments, & Currency Exchange	Payday Loans, Cheque Cashing, Prepaid Cards, Money Orders, Cash for Gold, Money Transfers, & Currency Exchange
Eligibility Based on Outstanding Loan	Applicants cannot have outstanding loan with them, but can with other loan companies	Applicants cannot have outstanding loan with them, but can with other loan companies	Applicants cannot have outstanding loan with them, but can with other loan companies	Applicants cannot have outstanding loan with them, but can with other loan companies	Applicants cannot have outstanding loan with them, but can with other loan companies
Personal Information Required	SIN., Bank Statement, Employment info & Pre-authorized Payment form	SIN (suggested), Government Issued ID, Bank Statement, Utility Bill & Pre-authorized Payment form	Government Issued ID, Bank Statement, Employment info & Pre-authorized Payment form	SIN, Government Issued ID, Employment info, Bank Statement & Pre-authorized Payment form/Blank Cheque	SIN., Government Issued ID, Employment info, Bank Statement & Pre-authorized payment form/Blank Cheque