

2007-2008 Payday Loans Review

Objectives for Consumer Information on Payday Loans

The Manitoba Society of Seniors, Winnipeg Harvest, and the Manitoba branch of the Consumers' Association of Canada (referred to as the Coalition) have been asked for input regarding improved disclosure for consumers when purchasing payday loans.

Following are a list of objectives indicating the type and quality of information we feel consumers should receive to help them make more informed decisions regarding payday loans.

In addition, we endorse many of the specific recommendations made by our panel of experts during the PUB hearing to set a maximum fee for payday loans (*Recommendations for Disclosure about Payday Loans*). We refer to this document in some areas below.

1. Consumers should have access to sufficient information before making a decision to take a payday loan.
 - a. A package of information should be provided in print to first time loan customers.
 - b. This package should explain all key aspects of the loan, including but not limited to:
 - i. A clear description of what a payday loan is the procedure consumers must follow to apply
 - ii. Total cost of the loan in dollars and expressed as an annual percentage rate
 - iii. Terms and conditions for obtaining the loan, including requirements for qualification, etc. (See 2(c) of *Recommendations for Disclosure about Payday Loans* submitted by Coalition expert panel)
 - iv. All pieces of personal information and identification that consumers will have to provide to get the loan
 - v. Information that will be solicited about the consumer from other sources, such as a credit check
 - vi. All areas where the consumer must give consent for the

- gathering and use of information
 - vii. The lender's privacy policy (as required by federal legislation), including how long information will be kept, and how it will be safeguarded
 - viii. Information about the regulation, consumers' rights, and where they can go for redress if they have a concern, including, but not limited to:
 - (1) The cooling-off period
 - (2) The role of the Consumers' Bureau in licensing lenders, and in addressing consumer concerns
 - (3) The fact that they do not have to surrender their Social Insurance Number
 - (4) Their right to information regarding the purpose for collecting personal information, and the storage and eventual destruction of personal information
 - ix. The cost to the consumer if they do not repay the loan on time
 - x. An indication that this is a competitive industry, and that consumers can compare prices
 - xi. Information regarding the availability of money management and credit counselling.

c. Consumers should have an opportunity to review this information at a space provided, away from the employee, before they sign a loan agreement.

2. All information provided in print should be accessible to the widest range of customers possible.

- a. All information intended for consumers should be in **plain language** (reviewed by a plain language expert), including legal documents and contracts. (Eg: Federal Government plain language guidelines and models for financial agreements can be found on the Internet at www.fin.gc.ca/news01/01-028e.html)
- b. All information should be in a reasonable font size (not less than 12) and colour for the largest number of consumers to access easily (eg: red font is not clearly visible for consumers with aging or impaired eyesight).

- c. All information should be easily accessible by consumers, regardless of whether they approach the staff person, or just drop in to grab some pamphlets.
3. Printed information is not accessible for all consumers, therefore, oral information should also be provided (staff should be trained to provide it) before the consumer signs the agreement, including:
- 4. Clear description of a payday loan
 - 5. The total cost in dollars and expressed as an annual percentage rate
 - a. All information that will be required from the consumer
 - b. All consent forms and other agreements that the consumer will have to sign
 - c. The cooling-off period for payday loans
 - d. The penalty for failure to repay in a timely manner
 - e. Where they can call for redress or information about their rights