Manitoba Consumers Experience's with Payday Loans Research Study

FINAL REPORT

Zoe St. Aubin, MA DBA | Research Consultant| March 3, 2016

Executive Summary

The *Manitoba Consumers Experiences with Payday Loans research study* was conducted on behalf of the Public Interest Law Centre (PILC) to explore Manitoba consumers' experiences using payday loan services in Winnipeg. This report illustrates the patterns, trends, and factors that influence the purchasing of payday loans.

The research study applied a mixed methodology which included surveys, nine semi-structured interviews, and one focus group. Survey data illustrates the broad trends of payday loan users which is then further explored through the use of interviews and a focus group. Data Collection for the study began November 20th, 2015 and completed January 10th, 2016. The research team consisted of three Research Assistants, a Project Coordinator, and a Lead Researcher. It is important to note that the respondents in this study are a non-representative sample. Participants reflect those who had taken out a payday loan in the past 12 months. Methods for participant recruitment for the survey included; printed newspaper ads, posters, flyers, Facebook targeted ads, community organization Facebook pages, and soliciting payday loan consumers at random outside of outlets in Winnipeg by Research Assistants.

Findings show that payday loans are used for a variety of reasons, at different frequencies, and for different periods of time. A prominent theme throughout the interview and focus group data was the role of mainstream banks and payday loan users. Findings also show that the majority of interview and focus group participants were aware of the need to use caution when using payday loans as a means to prevent from borrowing beyond their financial means. Feedback from focus group participants regarding alternatives to payday loans illustrates what products and features resonated with participants. This report is one piece of a larger exploration of Manitoba consumers' use of payday loans.

1.0 Introduction

The *Manitoba Consumers Experiences with Payday Loans research study* was conducted on behalf of the Public Interest Law Centre (PILC) to explore Manitoba consumers' experiences using payday loan services in Winnipeg. This study was implemented over a two month period. The findings in this report aim to provide a better understanding of the factors that play a role in payday loans users borrowing practices. This report also aims to illustrate the patterns and trends from the data collected that influence the participants' use of payday loans.

2.0 Methodology

This study used mix methods to explore to determine people's experience with payday loans, and payday loan fees, their experience with on-line payday loans, and to determine people's experience of those who borrow repeatedly over a 12 month period. Data Collection for the study began November 20th, 2015 and was completed January 10th, 2016. The research team consisted of three Research Assistants, a Project Coordinator, and a Lead Researcher.

2.1 Research Tools

The tools used to engage with participants were:

1. Survey

The survey consisted of 24 questions and was administered on-line using SurveyMonkey applications. The survey was also delivered in-person by Research Assistants at various payday loan outlets in Winnipeg, Manitoba and at community organizations. After completion of the survey respondents were given a ballot to complete for a chance to win an iPad.

2. Semi-structured interviews

Semi-structured interviews focused on repeat borrowers and on-line payday loan borrowers. Interviews were conducted in-person with participants who had used on-line payday loans and those who were considered to be repeat borrowers (seven or more payday loans within a 12 month period). Participants were given a $75 honorarium and two adult fare bus tickets for their participation.

3. Focus group

One focus group was conducted which focused on discussing alternatives to payday loans. The focus group was conducted in-person. Participants were given a $75 honorarium and two adult fare bus tickets for their participation.

2.2 Participant Recruitment

Methods for participant recruitment for the on-line survey included; printed newspaper ads, posters, flyers, Facebook targeted ads, and community organization Facebook pages. Participant recruitment for the survey in-person was done through soliciting payday loan consumers outside of outlets in Winnipeg by Research Assistants. Research assistants would approach payday loan consumers after they had left payday loan outlets and ask if they use payday loans. If the respondents stated yes, Research Assistants asked if they would like to participate in the study by completing a survey.

Community based organizations were also targeted for participant recruitment. Once permission was received from the organizations research assistants would distribute flyers to patrons and inform them verbally of the study. Community based organizations targeted included; SEED, Norwest Co-op Community Health Centre, West Broadway Community Ministry, Wii Chilliwaakanak, and Opportunities for Employment. Four of the five organizations agreed to allow Research Assistants to distribute flyers and collect surveys from potential participants, however of the four community organizations that agreed only three had events/gatherings within the timeframe of the data collection.

Participant recruitment for interviews and/or focus group was collected after the survey respondent completed the survey. Participants were randomly selected from the list of survey participants who agreed to participate in the research study further. Potential participants were contacted using the information provided by potential participants provided; either email and/or phone.

2.3 Outlet Selection

For the in-person survey a list of payday loan outlets in Winnipeg was compiled using google search engines. However the status of operating outlets did not accurately reflect the information gathered using Google. Of the 30 locations listed, 12 were closed for business.

Outlets that were no longer operational were determined by Research Assistants and relayed to the Project Coordinator which were then omitted from the list.

The first week of data collection was also an exploration of the consumer behavior of payday loans outlets in Winnipeg in order to identify peak times and customer volume. Factors that were noted while collecting in person surveys were; volume of customer traffic for each outlet, which days and times were busiest for each outlet. Research Assistants provided weekly updates to the Project Coordinator of their in-person survey collection. An analysis was conducted by the Project Coordinator of the Research Assistants weekly updates which guided the composition of the structured scheduling of data collection each week. Once the structured scheduling for data collection was implemented there was a higher response rate with this data collection method.

Outlets that had poor response rates after three efforts of participant recruitment at those locations during the first two weeks in data collection, were then visited less frequently. However, the last two weeks of survey data collection focused on these outlets with lower response rates. Research Assistants were placed at these outlets at least twice a week. A total of 18 payday loan outlets were targeted. The 18 outlets were located in different areas of Winnipeg in order to engage with the wider consumer population (See table 1.0).

Table 1.0 payday loan outlets targeted

Location
2188 McPhillips
1353 McPhillips
1321 Archibald
413 Selkirk Ave
1038 St. James Ave
3137 Portage Ave
647 Portage Ave
879 Portage Ave
253 Osborne
990 Portage
620 Dakota
1740 Pembina Hwy
215 Henderson Hwy
311 Henderson Hwy
294 Portage
485 Ellice Ave
1376 McPhillips
1676 Main Street

2.4 Data Collection Challenges

Challenges to in-person survey data collection include; weather conditions, low customer traffic, a lack of customers willing to complete the survey. One avenue implemented to overcome weather conditions was for Research Assistants to conduct the survey with the respondent sat in their car if the respondent referred to 'being cold'. Another challenge was the maintenance of participant recruitment posters. Upon returning to the public boards used to display the posters, Research Assistants found that in some cases posters had been removed. Despite incorporating different advertisement avenues there was a low response rate to the survey hosted on-line.

Challenges to semi-structured interviews and focus groups included; low response rate from survey participants to participant in interviews/focus group, of the interviews that were scheduled three participants did not show up for the interview and were not able to be contacted, one interview participant rescheduled three times and then cancelled, and another interview participant changed their mind to participating in an interview. Due to data collection timeframes and the quality of the previous nine interviews it was decided to conclude this method of data collection. A focus group was held in December 2015 in which eight participants agreed to attend. Of the eight participants who agreed seven attended.

3.0 Findings

Findings are based on the three sample of participants;

- Survey Participants N= 130 (On-line survey n=21; In-person survey n=109).
- Interview Participants N=9
- Focus Group Participants N=7

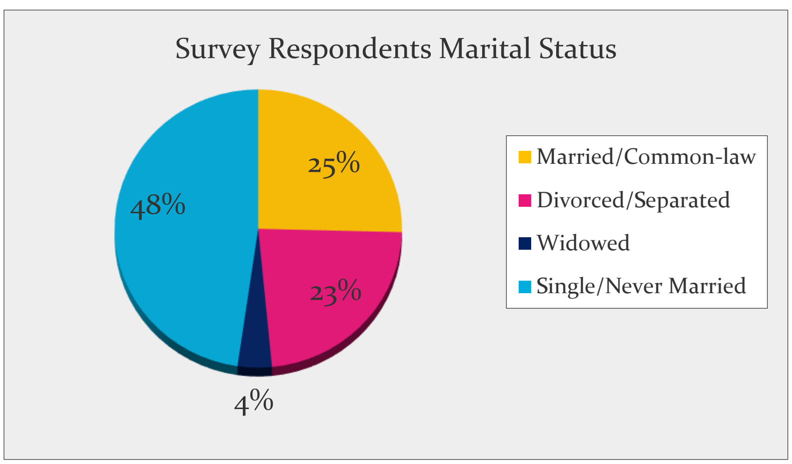
It is important to note that the respondents in this study are a non-representative sample. Participants reflect those who had taken out a payday loan in the past 12 months.

3.1 Participant Demographics

3.1.1 Survey Respondents

There was a relative equal dispersion of male and female survey respondents; 50% (n=65) were male, 49% (n=64) female, 1% (n=1) identified as other. Just under half of Survey respondents identified as Aboriginal (48%, n=54), followed by 27% (n=30) of survey respondents identifying as Caucasian. Just under half of survey respondents were single/never married. (See Chart 1.0).

Chart 1.0 Survey Respondents Marital Status, N= 130



The majority of survey respondents lived in either an apartment (43%, n=55) or row house (41%, n=52) (See Chart 1.1). Overall, the vast majority of survey respondents, 83% (n=108) rented their housing. Survey data shows that the majority of survey respondents (60% n=77) did not have any children under the age of 18 living in their household (See Chart 1.2). Another household demographic of survey respondents shows that 42% (n=54) had one adult living in the household, 40% (n=52) had two adults, and 18% (n=23) had more than two adults living in the household.

Chart 1.1 Survey Respondents dwelling type, N=127

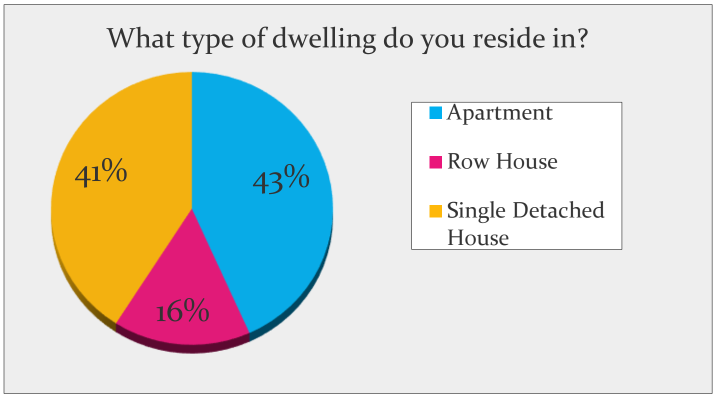
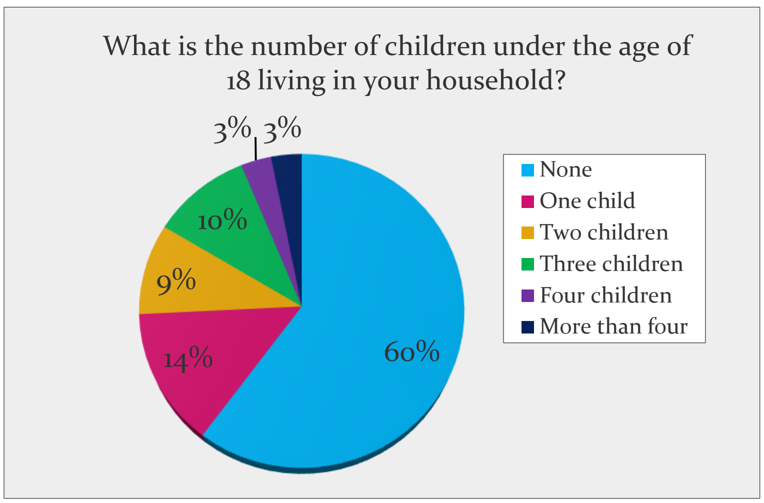
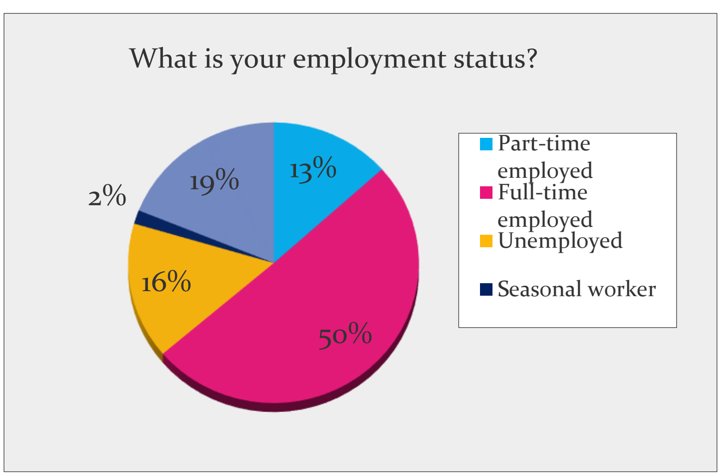


Chart 1.2 Survey Respondents Number of children under 18 living in household, N=128



Half of survey respondents (50%, n=64) were employed full-time. 19% (n=24) of participants stated other in this category which included responses of student, disability, or retired status (See Chart 1.3)

Chart 1.3 Survey Respondents Employment status, N=127



Survey data shows there was a wide range of education levels represented in the survey data (See chart 1.4). Although the majority of survey respondents were employed full-time and had completed high school or additional education, the vast majority, 72% n=62, annual income was below $40,000 a year (See chart 1.5)

Chart 1.4 Survey respondents educational level, N=129

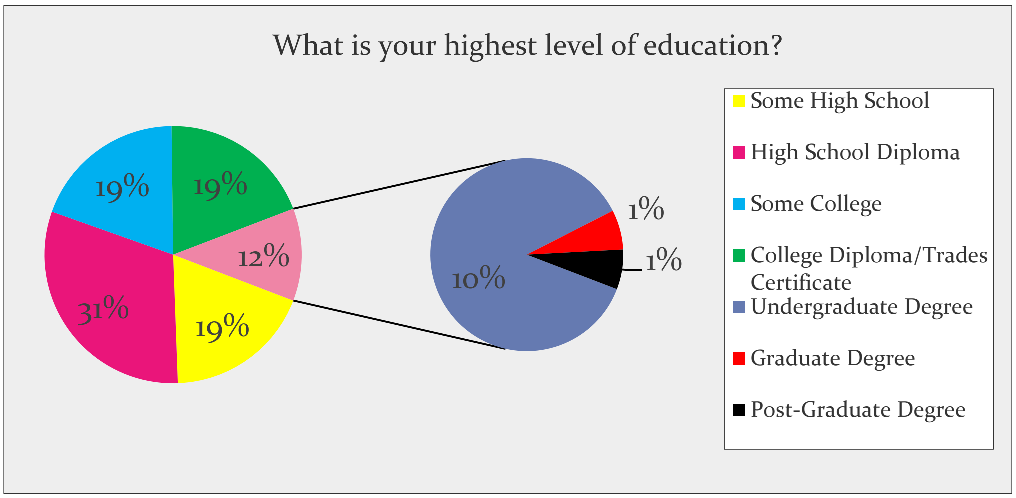
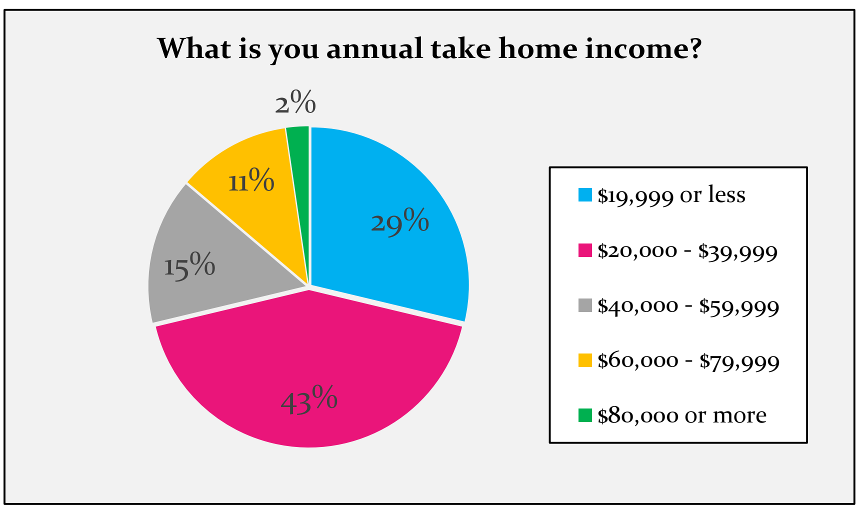


Chart 1.5 Survey respondents income level, N=82



3.1.2 Interviewed Participants and Focus Group Participants

Demographics for interviewed participants and for participants in the focus group represented an older age grouping than survey respondents. The age ranges for interviewed participants was 25-93 in which 67% (n=6) were between the ages of 40 to 59. There was a wide age range for focus group participants as well. However 86% (n=6) were 49 years or older. In both groups the majority of participants were single (67%, n=6and 57%, n=4).

Chart 1.6 Interviewed Participants Marital Status, N=9

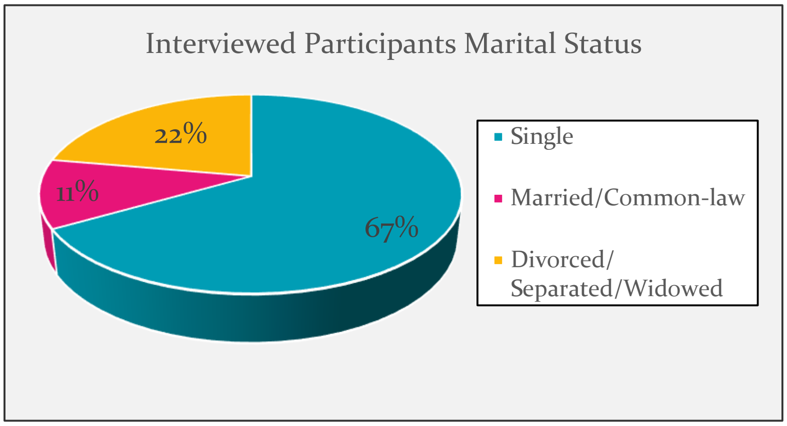
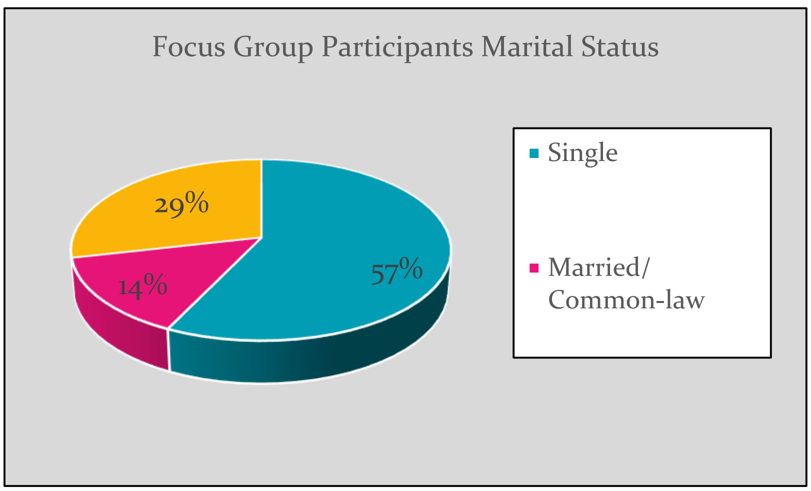


Chart 1.7 Focus Group Participant Marital Status, N=7



There was a wider range of household income represented with interviewed participants which ranged from $1,555 to $62,000. The majority of interviewed participants, 56% (n=4), earned $15,000 to $34,999 a year. Whereas, all focus group participants earned $25,000 or less in a year. The majority of focus group participants, 86% n=6, did not have any children under the age of 18 living in their household. Focus group participants employment status included 29% (n=2) were unemployed, 29% (n=2) were employed full-time, 29% (n=2) were retired, and 14% (n=1) were seasonally employed.

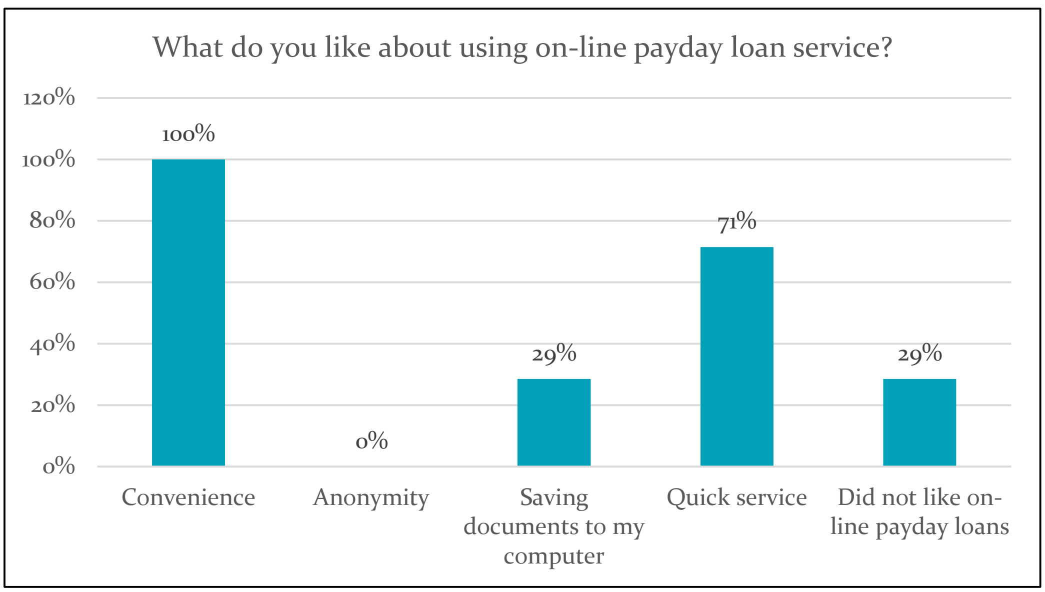
3.2 Borrowing Practices

3.2.1 On-line Payday Loan Borrowing Practices

Overall, there is a very small amount of on-line payday loan borrowers in the research sample. Survey data shows that 6% (n=7) of respondents stated they had used on-line payday loans. Of the on-line payday loan borrowers who did participate in an interview (n=3) all had used or continued to use in-person payday loan services and only one participant continued to use on-line payday. Additionally, data collected did not show any significant differences between on-line payday loan borrowers and in-person payday loan borrowers.

The majority of interviewed on-line payday loan borrowers used their smart phones to conduct their on-line payday loans transactions. Survey data also shows that over half of survey respondents preferred on-line payday loans (57%, n=4). The top two factors of on-line payday loans that appealed to survey respondents were convenience (100%, n=7), and quick service (71%, n= 5) (See chart 1.8).

Chart 1.8 Survey Respondents on-line payday loan service, N =7



Interview and focus group data also supports these findings in all of the on-line payday loan borrowers found on-line payday loans to be 'quick' and 'convenient'. As one participant, who has been using payday loans for 10 years, describes;

> "So [Cash Store} introduced the online version so that you could pay off your loan and then you're re-borrowing from Cash Store Alberta. So to re-

loan, you go online, loan from Alberta branch. They would put direct deposit into your account and that way you're not left penniless …. And then, I guess out of convenience I started using Cash Store because they had a different sort of you can borrow more I guess with the Cash Store. And then they had the online thing that was attractive, you know…. I don't use any on-line payday lender now. Like I said after Cash Store dissolved I don't, I sort of went back to Money Mart. And as far as I know they don't have an on-line banking services." - Interview Participant 7, previous on-line user and repeat borrower.

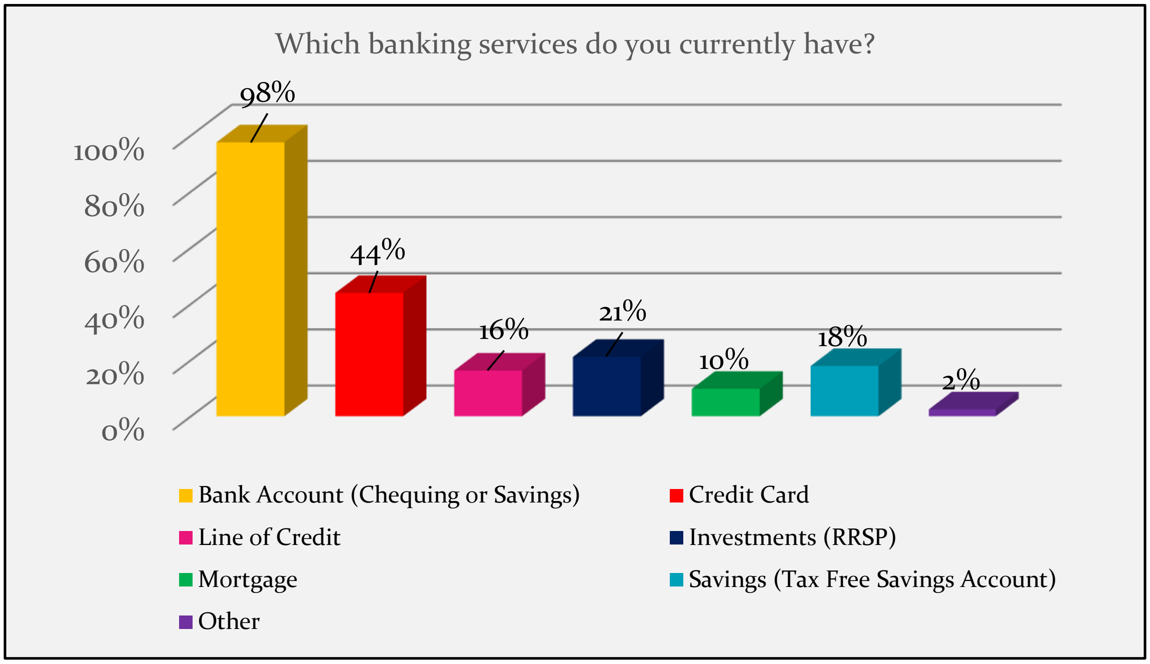
One participant's described her preference for using on-line payday loans as a way to avoid her feelings of embarrassment for using payday loan services;

> "I would prefer the on-line. Having to be face-to-face is one and asking for money. I don't know, just borrowing money, payday loans. I would try to think of the right way to say it, but um, a little embarrassment I guess, or judgement. Judge you." - Interview Participant 9, on-line and repeat borrower.

3.2.2 Payday Loan Borrowing Practices

All survey respondents stated they had a bank account with a mainstream bank/credit union (see chart 1.9). This also corresponds with interview data in that all participants had a bank account. A small number of interviewed participants (n=3) stated having other banking services such as RRSP's and a tax free savings account.

Chart 1.9 Survey Participant Current Banking Services, N=123



Survey data illustrates that 48% (n=50) of respondents main use for payday loans is to pay living costs such as food, rent, utilities, and clothing (See Chart 1.10). These trends were also described by the majority of interviewed participants. When asked what factors influenced the amount of payday loans they used interviewed participants described not having enough money to pay utilities and/or food. Interview participants described payday loans assisted them to afford living costs until they received their next source of income. The following excerpt illustrates how one participants, who is on disability pay, described her main reasoning for her repeat use of payday loans was to pay for utility;

Interview Participant 3: "Just because, because once you take one, you've got to pay that back so I take the money back to, you know, like to do one of the new bills, like one bill has to be done at a certain time so I just constantly use it."

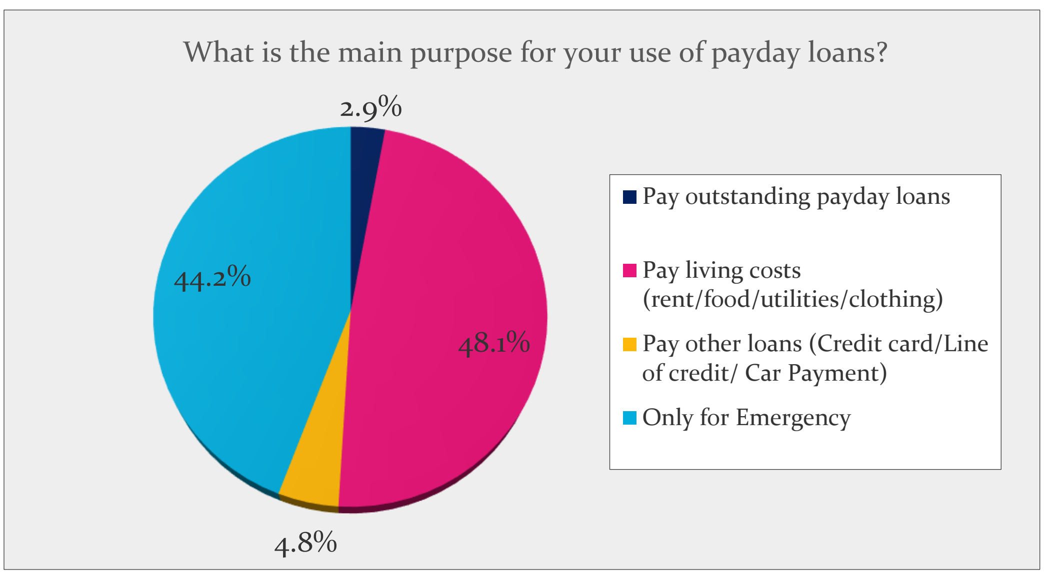
Interviewer: "Okay. So what do you, mainly use your payday borrowing for?"

Interview Participant 3: "For that one bill that I have, yeah."

Interviewer: "Okay. Which particular bill is that?"

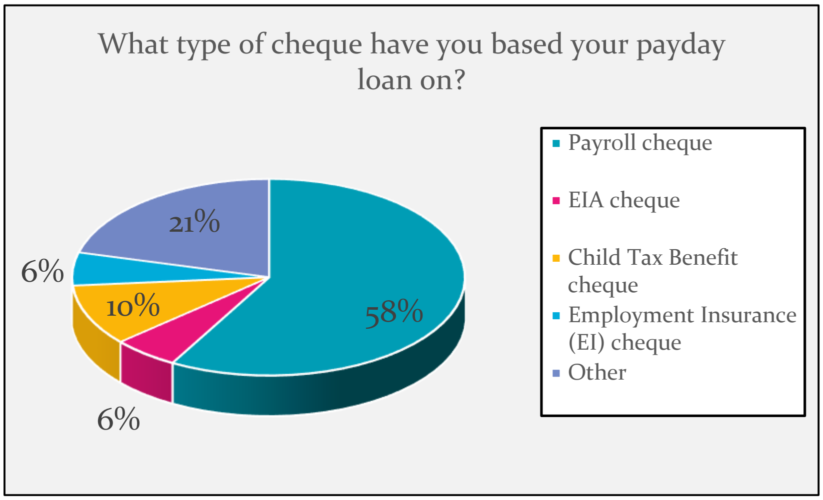
Interview Participant 3: "It's, oh god, it's actually for the hydro."

Chart 1.10 Survey Respondents Main purpose for Payday Loans, N=104



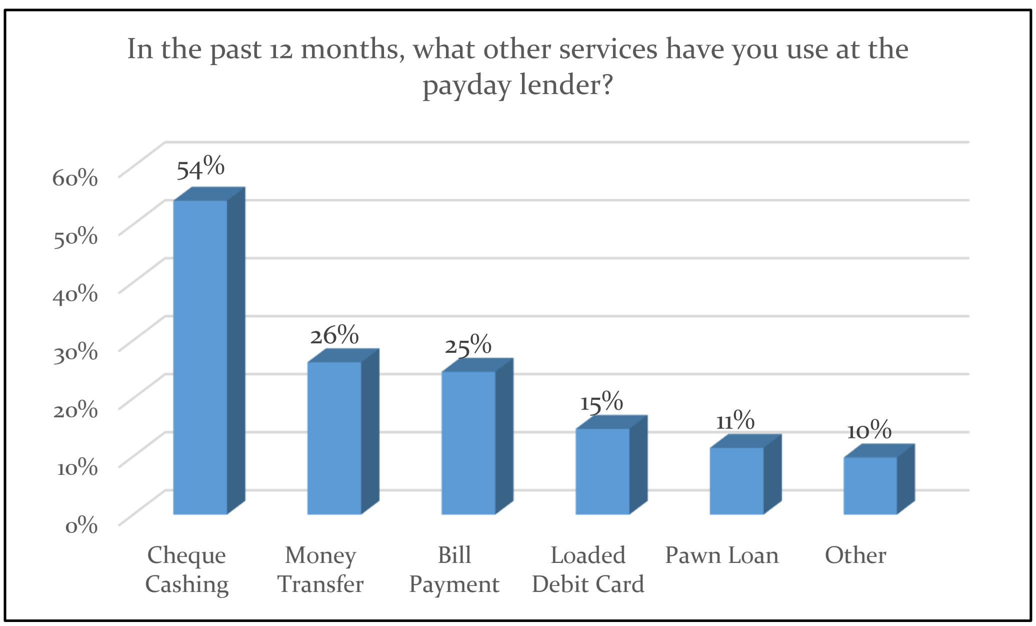
Survey data shows that the majority of survey respondents, 58% n= 62, based their payday loans on their payroll cheque (See Chart 1.11). 21% of survey respondents used other types of cheques such as spousal support cheque, Canadian Pension Plan (CPP) cheque, disability cheque, student loan bursary, and GST cheque. Of the survey respondents who stated other, 44% (n=11) used CPP cheques to base their payday loan on.

Chart 1.11 Survey Respondents Type of Cheque used for Payday Loan, N=102



Survey data shows that other services used by the majority of survey respondents were cheque cashing, money transfers, and bill payments (See chart 1.12). However, the majority of interviewed participants (n=5) did not use other services provided by payday lenders.

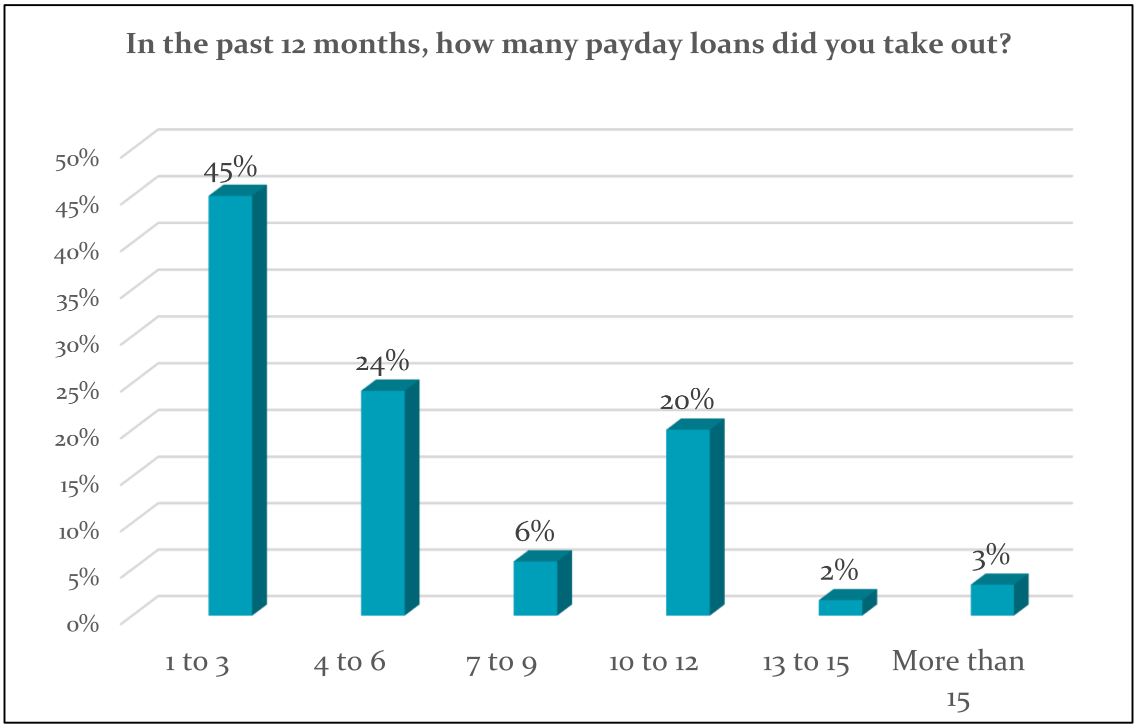
Chart 1.12 Survey Respondents Use of Other Services Provided by Payday Lenders, N =84



3.2.3 Repeat Borrowing Practices

Survey data shows that the almost half of the respondents, 45%, n=54, received one to three payday loans in the past 12 months and that 31% (n=37) had taken out seven or more payday loans over a 12 month period (See Chart 1.13). The majority of interviewed participants, 78% n=7, had taken one or more payday loans a month over the past 12 months.

Chart 1.13 Survey Participant Payday Loan Tally over a 12 month period, N=120



Of the survey respondents who answered to borrowing seven or more payday loans over the past 12 months, the top three reasons for using payday loans repetitively were; not able to pay the first loan and meet current expenses, unexpected expenses, and due to emergency (see table 1.1).

Table 1.1 Survey Respondents Reason for repeat use of payday loans

What was the reason for your repeat use of payday loan services? Please select all that apply.		
Answer Options	**Total**	**%**
Could not pay the first loan and meet current expenses	17	38%
Experienced unexpected expenses	21	47%
Emergency	16	36%
Unexpected unemployment/lay off	2	4%
I like payday loans	6	13%
answered question (N)	**60**	

Interview and focus group data provide a more in-depth look at participants' views of repeat payday loan borrowing. Many interview and focus group participants recognized the risks of engaging with high interest payday loans and limited their borrowing in order to reduce the risk of going deeper into debt. This form of consumption allowed participants to view payday loans as something short-term. Many referred to their self-imposed budget, their self-control, and their understanding of the importance to stick to their budgets so to not become more in debt or 'out of control'. Participants also explained how the cycle of repeat borrowing from payday loans can happen and the difficulties in breaking the cycle of repeat borrowing. Some interviewed and focus group participants viewed their repeat borrowing as a 'trap' and as an act of carelessness of the borrower.

> "Because, it's just that cycle or grabbing money and then that first time it's good because you have extra money but then come payday, you have that extra bill to pay that you didn't have before. And then, it's kind of like, well now you pay that bill and you have less money for other stuff and then you kind of keep doing it, so once you're even it's best to just stay away from it, but..... I mean not everyone who needs a payday loan is bad with money. But it's more common. I find that if your kind of careless with your money you are going to find yourself in that cycle, so. If I could budget in the first place and keep to it, there's a good chance I wouldn't need Money Mart." - Interview Participant 9, on-line and in-person payday borrower.

> "I am still not getting paid that much, I am giving them more money. You know, next pay cheque. So I'm paying them, you know obviously that's what happened but it can make it hard to get out of that hold then. Because then you have no money and you need to get another one. The cycle continues." - Interview Participant 6, repeat borrower.

> "And I think that's the whole ball game with payday loans. Is they know they have you. I know for the most people who are using the service don't have credit. Is the only thing available to people that can't normally get credit. So they just let you dig and dig and that's got to stop. There has to be a way out." - Focus Group participant 5.

Findings from interview and focus group data also show the timing of the payday loans conflicted with other living costs. In these cases participants would extend their payday loans or take another payday loan to pay for previous loans. Feedback from interviewed participants illustrated the practices of using another payday loan to pay for a previous payday loan. One interviewed participant, who has used payday loans for approximately 10 years, explains his practice of using another payday loan to pay for a previous payday loans;

> “If you borrowing money, say you borrow $700….Well now 2 weeks later you have to pay 700 back. But it might fall to your rent payment coming up, if you pay the $700 back, you just got no money to pay the rent, or money for gas or anything else. So you might have to re-borrow maybe 400 back just to tie you over. So you know the amount might be little overwhelming to pay them back in one pay cheque as opposed to dragging over two.” - Interview Participant 7, on-line and in-person repeat borrower.

Based on her observations, one participant who had used payday loans for 15 years, explains her observations of other consumers at payday loans;

> “I can see people going in there [payday lender outlets] and they’re on welfare or they’re on unemployment, and they are literally getting what they’re getting from that office, but then two weeks later they don’t have anything else. They have to repay the whole thing back. So if they’re getting a 200 dollar loan, on 200 dollars that would be almost 250 bucks. So if they’re only getting 200 dollars they’re still in the hole for 250 bucks. So they’re always in the hole.” - Interview Participant 1, repeat borrower.

Some repeat borrowers incorporated the use of payday loans into their lifestyle. The relationship between purchasing behavior and repeat borrowing cycles was described by participants. Some participants recognized their lifestyle as a factor of their repeat borrowing practices. One participant, who uses more than one payday lender in a month, explains his repeat borrowing cycle as it relates to his lifestyle;

> “Why did I use both? Because I found that one was just not doing the job. And that’s for a lot of different reasons, not only in terms of living expenses, but also because I do sometimes like to spoil myself with luxuries. You know, I do like clothing especially, so often I find that this is a great way to generate very short-term liquidity, and a way to give myself the room that I need to be able to make those purchases on a short-term basis…. Cash Money was intended to only be for a couple of months. And Money Mart was only intended to be an addition for a couple of months, but I stuck with both places because it came to mesh with my lifestyle.” - Interview participant 5, repeat borrower.

Interview data also support survey data findings in terms of repeat borrowers using another payday loan to pay for a previous payday loan. Some interviewed participants referred to the timing of the payday loan which conflicted with other living costs and when they received their pay cheques. In these cases participants would extend their payday loans or take another from a different payday outlet to pay for a previous loan.

> "It depends how small my cheque is. Around Christmas time, the end of summer, because once summer comes I'm laid off from my job. So if I have a loan in the middle of June, I need to pay it off before the end of June, I will take one to pay off the other. And one lets me extend it over the summer, because they know my, the factor of earnings. So I take from Money Mart to pay…no, I take from Cash Mart to pay for Money Mart. Money Mart's the one that will not extend it. It's due, it's due and that's it." - Interview Participant 1, on-line and in-person repeat borrower.

> "Well, the idea that my next pay cheque for this loan, that month that I did it, I didn't think about that. And so I needed to take another one out. Because again my pay cheque was gone. So it's kind of learning process for me to learn how to be able to plan my payments on time and stuff. Yeah, that was like I paid it with my pay cheque and my pay cheque was gone. Right away again then, so I needed to take another one out in order to have money…. Again, it's the not knowing how much money I have. And then, uh yeah it is also the timing they take to get it out isn't always good because sometimes I don't get paid on a day I think I am supposed to be paid." – Interview Participant 6, repeat borrower.

Another participant uses two payday loan lenders on a monthly basis for separate reasons, one loan will go towards paying living costs while the other he uses for spending on other purchases. He described his routine use of using two payday loans and how they perpetuate repeat borrowing;

> "That's why the next pay cheque after, the one where I get the payday loans, its devastation. That basically takes out 75% of everything that I have, and hence the need for re-loans. That's where my financial plan has become extremely short-term. Because of course, you know, on one pay cheque where I get the two payday loans, suddenly I'm bursting with money, like literally it just seems like there is a parade, and so it's a good short-term feeling. The next pay cheque of course when I have to pay back, I mean basically I'm paying back some $450, sometimes even as much as $500. And given my average pay cheques that will cut me down to maybe $300." - Interviewed Participant 5, repeat borrower.

3.3 Rational Choice Theory, Restraint, & Borrowing Behaviour

Interview and focus group data shows that there is a dynamic between rational choice, restraint, and borrowing behavior. Rational choice theory seeks to explain human consumption behaviour as an outcome of an evaluative goal oriented thought process.[1] The choice of what is

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[1] Redmond, W.H. (2000). Consumer rationality and consumer sovereignty. *Review of Social Economy*, LVIII(2), 117-195.

purchased is determined by its functionality. The choices made by a consumer are reflective of the consumer's interests and are related to their capability of distributing their income between current and future consumption which requires rational thought.

Displays of rational thought are illustrated by interviewed and focus group participants' description of using caution. Participants cautioned the use of payday loans stating borrowers have 'be careful' and be mindful of their budgetary constraints. The length of time participants had used payday loans and the number of loans participant received was not a factor of their borrowing behavior. Interviewed and focus group participants described examples of how payday lenders would try to sell other products to them or offer them the opportunity to borrow more. Both monthly borrowers and those who borrowed less frequently displayed caution when engaging with payday lenders and displayed practices of restraint. One focus group participant who has used payday loans twice over the past 12 months explains his experience with payday lenders suggestions to borrowing more;

> "But you know they do offer me more. You know like I said I'll borrow maybe 100 or 150 which I did. They'll say you know you can borrow more, they'll tell you more like 200 or something. They'll tell me if you want to borrow. I just say no. Knowing I have to go back to pay them" - Focus Group Participant 6.

Another participant, who borrows on a monthly basis describes how he mediated his budgetary constraints with the payday lender's suggestions of borrowing more;

> "We use it as a bridging gap... But we've got to be careful on when you want to take it out, because you've got to think about it very carefully. Like yesterday, they were going to give me $380, and I said 'you guys are crazy, I just want $150'. And so I ended up taking $200. You know I was surprised. I don't know why they wanted my money more. That's crazy I thought.... Like I have a budget. And the budget has to be balanced in order for me to succeed a month. Because I'm on E.I. eh. I'm unemployed. I have to really think about my money." - Interview Participant 8, repeat borrower.

The appeal of pre-paid credit cards sold by payday lenders was also described by participants. Two of the nine interviewed participants reported using pre-paid credit cards from payday lenders. Some participants actively avoided all credit cards based on their previous experiences. Although they were offered by payday lenders to use pre-paid credit cards some participants avoided using these products based on their awareness of their consumption practices.

> "I considered getting one at one time with pre-paid credit card. But I don't have credit card, I don't know if I should get really into that, you know. Because credit card, faster money are easy to spend. That's not easy to pay back." - Interview Participant 7, on-line and in-person repeat borrower.

> "They always trying to sell me a credit card when I am there. But I am like, 'No, I already have enough of those'. Just again like the idea, I don't know dealing with a whole lot of financial aspect. Like the idea of the bank I have so much that I deal with them and so many other bills that I have to pay so I don't really want to add on. The chances, like I could probably be good with it but that is what I said with my first credit card but I wasn't." - Interview participant 6, repeat borrower.

Although most interviewed participants avoided using other services from payday lenders, one participant viewed the payday lenders' additional products as a means to save money and not go over budget. The strict parameters of the loaded credit card from payday lenders helps her to mediate her difficulties to stay within her budgetary constraints and not go further into debt.

> "That's the only way that I can save money. And then to pay loan, and to pay my utilities, and t.v. and shaw and internet and all that stuff, they want you to pay it on-line with a credit card. So that acts as a credit card for me, because I don't have any credit cards…And that's where that comes in, because I can just load it up and I can just put on 100 or 200 dollars and I can just take it off my credit card." - Interview participant 1, repeat borrower.

3.4 Push Factors

There were many factors that propelled consumers to initially start using payday loans. These factors included; unexpected layoffs or decrease in work hours, conflicts of income and bill payment schedules, poor budgeting skills, a mismatch of products offered by banks to suit consumer's needs, and feelings of marginalization from mainstream banks.

3.4.1 Changes in Income/Employment Status

Changes to participant's income influenced their decision to start using payday loans. Changes to participant's hours or seasonal layoffs were experienced by participants. These changes also influenced the amount of times they took out a payday loan. As one participant, who is new to using payday loans this year, explains;

> "I did my first one and I broke my wrist in the fall. And so I have been doing them every month now because I am working less, I can't fully work in my job because it is a very hands on physical job. So my hours got cut like in half. I was full time but now I am part time. It is basically

> so I can get food until my next pay cheque because my pay cheques were totally going for bills. So I didn't have money for food." - Interview Participant 6, repeat borrower.

Another participant, who has declared bankruptcy in the past and has used payday loans for six years to maintain his desired lifestyle, described how his employment influenced his fluctuating use of payday loans;

> "There was actually a period of time in 2014 where I actually switched jobs. And I actually had a fairly massive boost in income. It was so major I actually did not have to go to payday lenders for six months. Not through a design, it's not like I said "wow that's it, I'm done with these guys", no it was just I literally had enough money to live on, and enough money for luxury spending and so I literally did not need them." - Interview Participant 5, repeat borrower.

3.4.2 Pay Scheduling of Participants

Pay scheduling of participants source of incomes were also a factor influencing participants to begin or continue using payday lenders. In some cases participants had a limited income and relied on government source of income such as Canadian Pension Plan (CPP) payments, EI, or disability payments. These scheduled payments were described by participants as not enough to carry them through the month and pay for bills that arrived at odd times of the month. In order to mediate this challenge participants saw payday loans as the viable option. One couple describe the conflicts of the pay scheduling of government issued cheques and their ability to 'get through' the months to meet their needs;

> "Oh yeah [the government] gives December early for Christmas, and then it makes it longer. They give the money before Christmas, so that makes it a heck of a lot longer for us to wait for the next cheque" - Interview Participant 2 A, repeat borrower.

> "Yeah, well December the 21st it's coming, and then it's supposed to carry us all the way through from there until January the 30th or the 29th when the next one comes. Quite a long ways. And the shortest wait would be the next one, from January the 29th until February 26th is the shortest in the year. So that's a faster one. But the only good thing in January would be the GST cheques will be coming as well." - Interview Participant 2 B, repeat borrower.

One participant, who is employed full-time and has declared bankruptcy in the past, experiences seasonal layoffs with her job and has been using payday loans for 15 years. The seasonal layoffs influenced her ability to pay her necessities until she was scheduled to go back to work. In these cases she uses one payday loan to pay off a remaining payday loan until she receives her EI cheques. In explaining how often she engages in this type of borrow she described her employment situation;

> "Well I work at the school division, been doing it for 24 years, almost 25 years, and every summer I have to still wait 6-8 weeks to get my first unemployment cheque. So I apply at the end of June with the school division for unemployment, and I don't get my first cheque until the 22nd of August for the last 23 years, and then come September 7th when I go back to work, I get one cheque from unemployment because I have got a full-time job. So they cut me off right away. So I have to wait almost 8 weeks, I get 2 cheques, and then I get cut off…. So if they would give me a cheque right away at the end of June, then I wouldn't have to go in to payday loans for the summer, because I would be able to function." - Interview Participant 1, repeat borrower.

Government issued payment scheduling and bill payment scheduling conflict was described by one participant. Her use of payday loans was specifically to mediate her CPP income, avoid bank charges, and pay one bill. She described how payday loans are a more feasible way to help her pay one bill and not go into overdraft;

> "What happens is I have bills that are due certain days and like my CPP doesn't come in until like the next day so you kind of have to, and I don't want anything to go NSF. Maybe 2 or 3 times that it happened. Then you have to pay the extra 48 dollars at the bank, which you know, it all adds up. I mean it's not a lot of money but it is for me because of my circumstances so. I'd rather do that [pay $11.00] then pay $48.00 every month. Every time I have an NSF, its $48.00 at my bank." - Interview Participant 3, repeat borrower.

3.4.3 Mainstream Banks Push Factor

Many participants stated they had 'no choice' but to go to payday lenders. In these cases participants had originally sought help from their bank but were offered products that did not match their needs.

> "Well, any personal loans when you're getting a line of credit, they wouldn't even allow an overdraft, a $50 overdraft. I think the minimum they allow you is $500. I don't need a $500 draft. I just need 50 bucks to do me good. You know, they don't deal with small amounts. It seems like they are more interested in if they have lots of money and you don't have lot of money. My child's care assistance takes out my rent and I am left with like 298 bucks. Which last at least for 3 weeks until my child benefit comes through. …. It doesn't leave you with very much. You just need a couple of cash for something. You can't borrow it from the bank because

> you have to take a huge loan and the thing is you don't want anything big. Just something small. And the banks are unwilling to do that." - Interview Participant 4, repeat borrower.

> "Like I said the whole scenario with these companies [mainstream banks] is that I need the money now not 2 weeks from now after you have jumped through hoops, you know signed off my right arm, my kids college funds so you can borrow $500, you know what I mean? Even my bank, TD, when you borrow, I don't need $200,000." - Interview Participant 7, on-line and in-person repeat borrower.

Interview and focus group data findings also show that participants who had declared bankruptcy in the past then had limited options to assist with their efforts to start over. Many participants described feeling marginalized by their mainstream banks regardless of the amount of time they had been a customer to their bank.

> "I was actually declaring bankruptcy so I had massive short-term money liquidity problems. And so I thought, not immediately, but after actually making some efforts to go through my conventional bank to get a line of credit, which was denied obviously because of my bankrupt status, I thought of payday lenders. And so, yeah, they fulfilled my needs in terms of increasing my short-term liquidity…. But basically I was seeking what I thought was a very small line of credit – $1000 – which would have been more than enough in terms of what I needed and I was denied because of my bankrupt status. I was a bad credit risk to put it mildly." – Interview Participant 5, repeat borrower.

Half of focus group participants referred to their bankruptcy status as their reason for using payday loans. One focus group participant described how her credit union refused her request for a line of credit which led her to go to another financial agency, Citi Financial, and the interest rate she had to pay;

> "I have not. I have bad credit. They will not give me anything. I have a loan through a financial agency at 39%. Because the bank will not give me a loan because of my credit… And that came down from 46% to 38% in the beginning – Focus Group Participant 1

Another focus group participant referred to his credit rating as the reason he engages with payday loans;

> "I want to use my own bank. I have a bank account at BMO. I would love to deal with them rather than payday company but the downfall is the credit rating." - Focus Group Participant 5.

Some participants preferred to deal with payday loans in-person as to avoid their banks knowing they dealt with payday lenders. These participants perceived payday loan outlets were stigmatized by other institutions and wider population.

3.5 The Role of Social Capital[2] & Social Relationships

Participants' social capital played a significant role in introducing them to payday lender services. When asked how they first heard of payday loans the majority of interviewed participants, 67%, n=6, had heard it from a friend or relative. In these cases friend and families suggested payday lender services as 'quick' and 'easy' way receive money. All of the friends and family members who suggested the service had used payday lender services and in some cases were long-term repeat borrowers. Only one of the interviewed participants was cautioned by their friend and family that payday lending is a 'good thing if I did the right thing'.

Interviewed on-line payday users were originally using in-person service prior to taking on-line payday loans. One participant had been referred to on-line by Cash Money to their website prior to their closure. Another on-line payday loan borrower was referred by a friend who had used on-line payday loans. While another on-line payday loan borrower first heard of on-line payday loans through a Facebook Ad.

3.5.1 Relationship with Payday Lenders

Findings show that the majority of payday borrowers had a 'good' relationship with payday lenders. Findings also show a key factor in the degree of the positive relationship with payday lenders was dependent upon if the participant was a long-term repeat borrower or not. Participants who had been using the service repetitively once a month at least one year had strong positive opinions of payday lenders. In these cases participants mentioned examples of fees being waived for missing payments or extensions being changed without being charged. One participant, who has used on-line payday loans once and prefers in-person services, describes the role of her relationship with the payday loans employee and the services she receives;

> "They all know me, like as soon as I walk in it's a friendly service .It depends who I see. Because certain employees know me and certain

[2] **Social Capital: group made of social connections/social networks (who people know).** Bourdieu, P. (1986). The forms of Capital. In J. Richardson (Ed) Handbook of Theory and Research for the Sociology of Education, New York: Greenwood, pp.241-258.

> employees don't know me. So if I get the regular person, then she won't charge me, she'll just add the next 2 week date on it, she'll just change it on the computer herself and that's it. But if it's a brand new person then they'll nail me for the percentage for the 2 weeks." - Interview Participant 1, repeat borrower.

Participants also referred to the friendly and welcoming service at payday lenders. Participants had built relationships with the employees at payday loans which contributed to their feelings of acceptance. This was a stark contrast to participants' feelings towards mainstream banks, as described previously in the report. Participants' previous negative experiences with mainstream banks were a common comparison to their experience with payday lenders services. This contrast is described by one participant, who has been using payday loans for approximately 10 years;

> "You walk into a bank, first you got to make your appointment 3 days in advance. You go to the Cash Store, get in and out half an hour, you got your money. ... I don't feel belittled when I walk in there [payday loan outlet]. You know, I'm actually treated with respect because I'm a frequent customer. They don't make you feel like you're anything less than an appreciated customer. You go in and get your money, it's all good. You walk into a larger branch, you know and they say we will see you in 20 minutes and you sit in the lobby and someone shows up and they look down their nose and ask, 'What can you do for us?'... Like I said I think they are offering a more human service than the banks do. The banks only cater to people who have money, not to people who don't." - Interview Participant 7, on-line and in-person repeat borrower.

3.6 Delivery of Services

Convenience was the most common description used by participants to explain why they prefer payday loans and continue to use their services. Time was a significant factor of participant's description of the convenience of payday loans. Another factor of convenience referenced by many interviewed and focus group participants was the location of payday lender outlets. Some participants were living in areas where payday loans were close to their residence. Others referred to the payday lenders close proximity to their work. The location of payday loans accommodated participants need and made it 'easier' for them to engage with payday loan services. One participant, who has been using payday loans for 10 years, describes how the delivery of payday loan services meet his needs;

> "The hours are flexible, there's no doubt about it. Especially the one at 24 hours is pretty awesome because you know when you come from out of town you want to do something. They're all over. They're accessible all

> over, like there's just one right behind here. Actually there's two in this area." - Interview Participant 8, repeat borrower.

Although participants expressed the ease and convenience of receiving a payday loan, some participants experienced automatic withdrawal payment errors with payday lenders and the challenges it caused.

> "I have paid them off early before. So if there was no one has ever told me, I never got the benefits but. It's always been the same amount no matter when I pay it off. Unless it goes to collections." - Interview Participant 9, on-line and repeat borrower.

Another interview participant described her experience with automatic withdrawal payment errors with the payday lenders;

> "I talked to someone on the phone ….They were just like I was on hold forever first off which I called the actual branch but I wasn't calling the 1-800 number, whatever. And then yeah like I explained my situation and just not very helpful at all. It's was just like, "Oh well". Like he kind of almost didn't believe that it was true that it was taken out. And I knew that he was looking at my files. So I had to give him my info and it was just like, "Now I need you to come down here, there's nothing we can do. We need to see your bank statements; to see that it is actually taken out." Because like I don't know, they didn't believe me. I guess it makes sense that they have to see evidence but you'd think they could do that over the phone. Just even to see they have taken 2 payments from you." – Interview Participant 6, repeat borrower.

Discrepancies of service delivery was evident in interview and focus group data. Some focus group participants described situations where they had asked payday lenders to extend by a couple of days past their original due date and then were not charged for the extension. Whereas some focus group participants did not know they could ask the payday lenders for an extension. In these cases, participants were charged the additional interest and the late fee, as well as, were solicited numerous times in a day by collectors or the payday lenders themselves. The length of time participants were a customer to payday loans was not a factor with this discrepancies of service delivery. Instead participants who approached payday loans to negotiate pay schedules benefited.

3.7 Participants Knowledge of Payday Loans

Survey data illustrates that 41% (n=49) of the survey respondents were somewhat satisfied or very satisfied with the rate they received (See Chart 1.14). However, survey data also show that the majority of participants did not have an understanding of the annual interest rate (Annual Percentage Rates, APR). Survey data shows that 65% (n=79) did not know the APR that they paid on their last payday loan (See Chart 1.15). Of the 12% (n= 15) who stated other, 5 respondents indicated rates between 400% and 775%.

Chart 1.14: Survey Respondents Satisfaction Level of Rate applied to Payday Loan, N =120

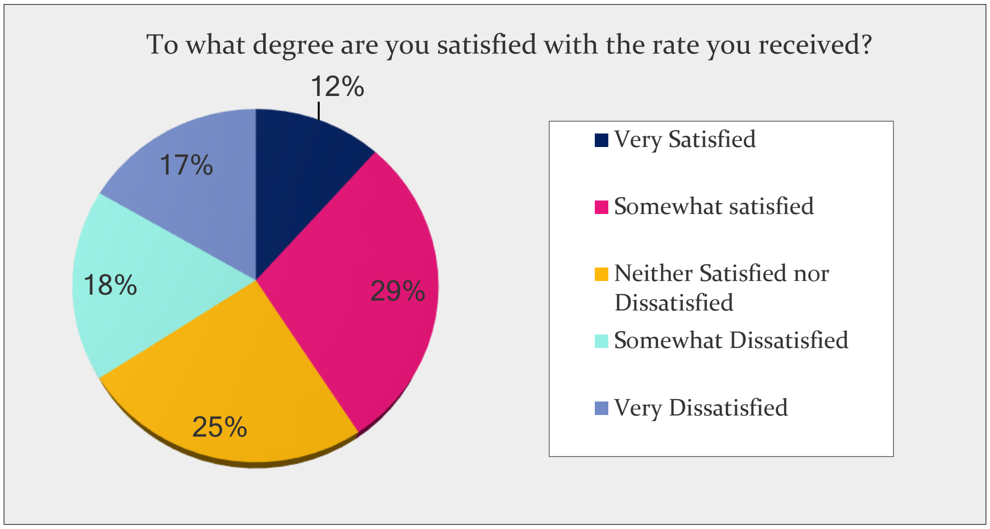
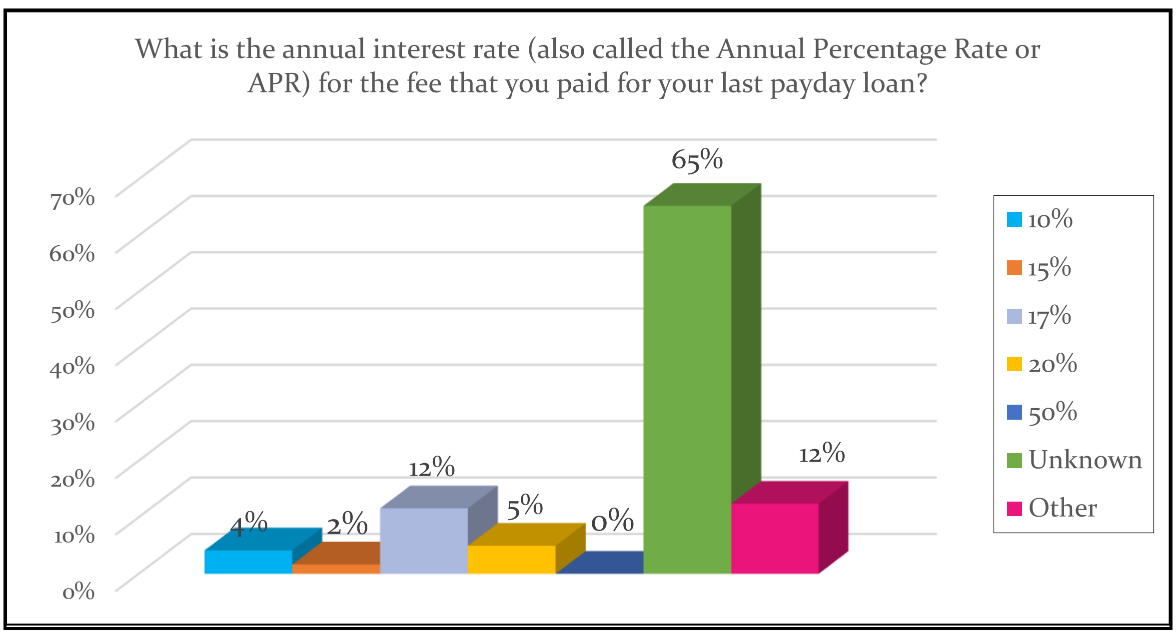


Chart 1.15: Survey Respondents knowledge of Annual Interest Rates, N =121



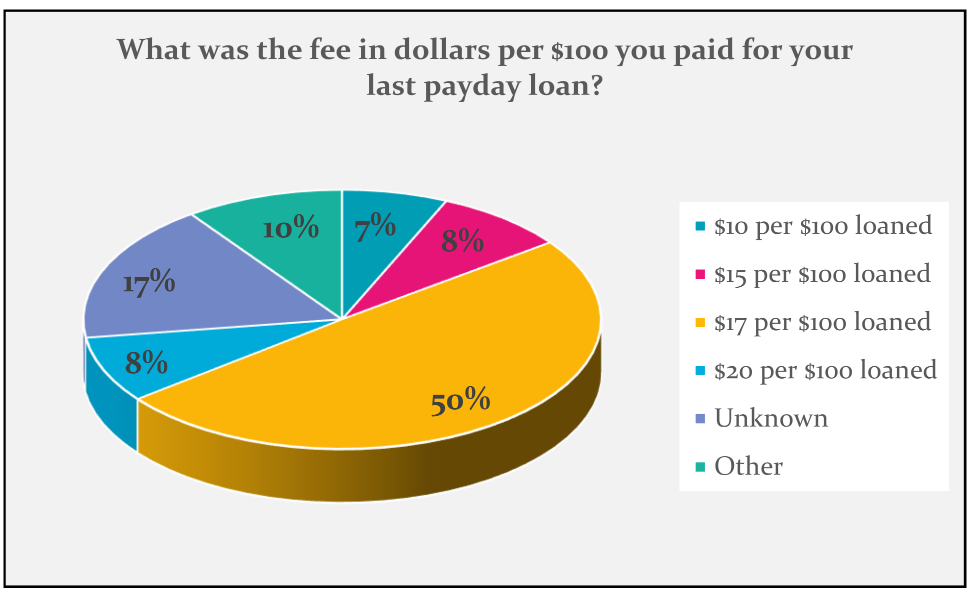
Of the nine participants interviewed, 33% (n=3) understood the APR rates applied to their payday loans. Of the 33% who understood APR rates, all had used payday loans on a monthly basis for six to 15 years. Interviewed participants described how they were given a large amount of paperwork when they received a payday loan and that's how they found out about the APR.

One participant, who has been using payday loans for 15 years, describes how information of APR is disclosed and what this means to her as a payday loan borrower;

> "Yeah. I mean, they wouldn't do it [review APR] every single time, but they would do it when you started up with them, and then when you looked at it you could tell it was all documented on paper and stuff like that. The interest is too high. Sometimes it's almost half of what you're getting. So if I got a 200 dollar payday loan, I would be paying almost half of it back. I would be paying close to 100 dollars back. So the percentage was way high, it was like a 145% increase or whatever. I could see it for a month, but not for two weeks, that's just too much. Like even 17 dollars on 100, that is just way too much." – Interview Participant 1, repeat borrower.

Both interviewed and focus group participants commonly referred to currency rather than percentages to describe the fees that they paid on their payday loans. The explanation of fees assisted participants to determine how much to pay back and also assisted participants who were offered to borrow more to calculate the fee in dollars and assess if the amount met their self-imposed budgetary limits. However, survey data illustrates that 17% (n=21) of respondents did not know the fee in dollars per $100.

Chart 1.16 Survey Respondents Knowledge of Fee in Dollars per $100, N= 121



3.8 Payday Loan Alternatives Discussion

The theme explored in the focus group was payday loan alternatives. There was a range of payday loan borrowers in the focus group. Some participants used payday loans on a monthly basis. Others borrowed approximately three times a year. Having a wide diversity of payday loans borrowers provided a holistic understanding of participants' views on alternatives.

Participants were asked what alternatives to payday loans were accessible to them. Many participants stated they had no other options and the payday loans were a last resort. Some participants mentioned charitable organizations such as the Salvation Army as an alternative to receiving payday loans. Others referred to pawn shops as a means to access money. Banks were not seen as an option by participants due to their poor credit rating status. Many participants referred to family members or friends as an alternatives to payday loans. However, this alternative was seen as less favorable than payday loans. Borrowing from payday loans instead of from their social circles was described as a means to protect their relationship and avoid burdening others. One focus group participant described how borrowing money from family and friends could strain their relationship:

> "I have a couple of friends that I've borrowed from occasionally. But it's just short term. It's just more convenient that way. Wherever I get my pension, I'm retired. When I get that I pay them off. Not often I try not to…to keep their friendship." - Focus Group participant 6.

One example discussed in the focus group was the regulations in Colorado which described 'For the last five years the State of Colorado in the US has mandated that payday lenders move to a 6 month loan product with installment repayments.' When focus group participants were asked if this was a something they would like to see implemented in Manitoba, only one was in favor of it and saw it as 'easier to pay off'. The remaining participants (n=6) were unsure or did not want to see the product implemented in Manitoba.

> "No I wouldn't go for it. Just because I mean you'd be paying a constant interest rate that would be constantly added on to your bill. That's just something I wouldn't do. You would pay it every single time you make a payment obviously the interest rate is in there. I just want something that just for a month where I can pay it back and be gone." - Focus Group participant 2.

> "Yeah I agree with that. I kind of just use them when I'm in a bind. So instead of having to think about it for six months. It would be nice just to pay it off and be ok for a little bit." - Focus Group participant 3.

> “No I don’t think I’d do that. I just like to borrow it and just pay it off the one month. Besides the six months I don’t know I think they probably wouldn’t let you re-borrow until after the six months. So until after you pay it off. This why once you pay it off you can keep borrow every month if you need to. Instead of waiting.” - Focus Group participant 7.

Focus group participants were also given three alternative examples to review. The three alternatives were distributed in writing for their review as well as explained to them verbally. Participants were given as long as they needed to review the alternatives in writing. Participants were encouraged to asked questions if they needed clarification of the alternatives. The three alternatives were;

1. United States Consumer Financial Protection Bureau Proposal
2. Vancity Product
3. Three Options for Borrowers: A)Financial education on budgeting, financial planning, savings, credit, and investments , B) Secured credit cards that enable you to build a credit rating, and C) Savings plans (e.g., pre-authorized monthly debits) that enable you to save money and draw on it rather than a loan when the need arises

3.8.1 United States Consumer Financial Protection Bureau Proposal

One example discussed in the focus group was the proposal put forward by the United States Consumer Financial Protection Bureau. This example stated; the United States Consumer Financial Protection Bureau proposed that payday lenders either underwrite their loans or limit their customers the number of rollovers followed by a 60 day ‘cooling off’ period. After reviewing this example, participants were asked if this regulation was fair to payday loan consumers. Some participants declined to comment expressing this alternative example was too difficult for them to understand and comment. However, of the participants who did comment (n=5) the majority of participants did not see this regulation as fair. Participants referred to the ‘cooling off’ period as a deterrent to their appeal for this alternative.

> “It seems like if someone can’t pay at two months you know, it’s it seems them pretty harsh to give them another two months after with no loans after obviously. If they still haven’t been able to pay it that’s not really going to change over that two month cooling period.”- Focus Group Participant 3.

> "I kind of agree with the rollover where I guess if you can't pay it then the roll over comes in handy. But personally I don't think I wouldn't ever borrow that much that I can't pay it in a certain time. And the two month waiting period. If you need money, two months is a long time." - Focus Group Participant 6.

One participant viewed the regulation as a deterrent to using payday loans which would affect both payday loan borrowers and payday loan lenders;

> "Because if they can't pay and they have to wait another two months then that's too greedy. The customer might say they don't want to borrow again. It might make them lose their customers. So the customer will be thinking well not paying it and then waiting two months. Such a long wait and you know. I don't want to borrow again if they're going to make me wait another two months." - Focus Group Participant 4.

Of the seven focus group participants only one viewed the regulation as fair. Support for this regulation was based on his perception of the government as an agency to prevent borrowing practices that cripple some payday loan users;

> "I think that would dramatically reduce the interest therefore and they would pass that on to the borrower, the consumer. Because you can certainly see where they're trying to go with that if they're trying to put that in. Government works for the people bearing in mind the institution and its kind of genius actually in my mind. Yeah it's fair… the saying give someone enough rope they'll hang themselves." - Focus Group Participant 5.

<u>3.8.2 VanCity</u>

The alternative offered by VanCity was welcomed by half of the focus group participants. Factors that were attractive to those participants was the building of the credit rating and the long period of time they could use to pay back their loans. One focus group described the appeal of the VanCity example;

> "I like it. I like the fact that it's going to establish a credit rating. So you're paying a little bit high interest but the advantage is you establish credit. Which can be used at a mainstream institution or for a car loan… If this was offered to me and they said at the end of your 6 month loan for $700 if that went to and gave me credit points I would jump on it because at the end of the day that's what the reason I'm in my mess is because of poor credit at mainstream institutions…You have to be rewarded with credit points. It's just a horror to be paying these interest rates for nothing. Nothing other than to get another payday loan. It's not helping tour financial situation one bit. And I don't mean to speak for the group but it's a trap… The only reward is that you can go back to that same

> lender and do the exact same thing over again. So they're leaving the lower income people to fight a losing battle." Focus Group Participant 6.

The other half of focus group participants who did not like the VanCity example and focused on the interest rate and/or the ability of VanCity to change the interest rate.

> "I wouldn't do it either because of the interest rate. It's very high. 19%. I think 17% is high already. Also because I have bad credit obviously, it does say it about the credit but then yeah I wouldn't do it. I don't think. No." Focus Group Participant 2.

> "No. I wouldn't. The interest rate and two it says that they'll give you a credit history when you're doing this. You probably wouldn't get accept anyways if your credit rating is low. So how are you supposed to establish credit history if you probably wouldn't accept you because you have poor credit history…They send it to you and say help to build up your credit history and so you send it in and they reject you because you have poor credit history." Focus Group Participant 8.

3.8.3 Options for Borrowers

The last example of an alternative given to focus group participants included three options for borrowers. The options were;

- **A.** Financial education on budgeting, financial planning, savings, credit, and investments
- **B.** Secured credit cards that enable you to build a credit rating
- **C.** Savings plans (e.g., pre-authorized monthly debits) that enable you to save money and draw on it rather than a loan when the need arises

Participants were asked if they would use or have used any of the three options and for their opinion of the options. Feedback from the participants varied. The basis for this variation was related to their previous borrowing history, their employment status, and income levels. The majority of participants did not support Option B, using secured credit cards, even as a source to build their credit ratings. Option C, creating a savings plan, and Option A, education of financial planning, were not perceived as options to meet the needs of the participants. Many focus group participants stated they did not have additional funds to put into a savings plan.

> "A, I would like to do except for the fact I'm on such a tight budget , so very low income so there's no point to doing it. B, I've already got one, like [another participant] said that's what got me into the trouble to begin with. The savings plan I just don't have enough money to just think about doing anything like that. Every bit of money I have goes towards what I need. I budget everything." - Focus Group participant 2

> "Yeah I wouldn't mind getting some information about budgeting and stuff. That might be helpful. Credit cards, no thank you. Savings plans, well yeah it's really hard for us to save anything especially I have a 15 year old who keeps wanting stuff all the time… Now I have to concentrate on paying off our Shaw bill so we can get our internet and TV back." - Focus Group Participant 7.

One participant, who has used payday loans twice over the past 12 months, described how these services did not meet his needs because he was retired. In his explanation he described how he has changed his borrowing practices since retirement;

> "If I was still working and still making the money I used to I would perhaps go do that. That would be good. But I didn't. I do have a savings plan which I always had. But not much you know with the saving you do once you can and credit rating building credit, I used to have every credit card in the world and then I was in debt up to you know where. Then finally it took me how long to pay it off. To pay those off and I never ever had a credit card after that. I refuse. And like my dad used to say 'if you can't pay cash upfront don't even look at it. Don't buy it.' That's what I try to do now." - Focus Group Participant 6.

3.8.4 Participants Suggestions for Alternatives

When focus group participants were asked 'What other alternatives would you like to see regarding payday loans and how could these alternatives better meet your needs?' the majority of participants concentrated on the 'interest rates' applied to payday loans.

> "If the interest was much lower. Then it would be easier to be able to pay back. And if I could pay off like you use payday loans on my EI then I wouldn't have to go into debt. I wouldn't have to, in 2 weeks I wouldn't have to pay almost twice back. So I wouldn't go into debt in two weeks again to pay the loan that I just got two weeks before." - Focus Group participant 1

> "10% even is much more reasonable…. The only thing I'd stress is maybe to get them to lower the interest rates on these payday loans. Practical. I mean. It's always the poor people that gets the shaft it seems like. We're paying higher interest because we're poor." - Focus group participant 6.

Other participants referred to providing a flexible time schedule offered by payday loan lenders instead of the mandatory two week time span. Offering a flexible time schedule was seen by participants as a way to not to re-issue their loans and as more accommodating for their living cost expenses. One participants described how the two week mandatory pay schedule of payday loans contributes to her repeatedly having to borrow from payday loan lenders;

> "You kind of get stuck of borrowing and then paying it off so with it being so much I know that like yeah my pay cheque is always going to be lower than I want it to be. And it's pretty hard to get out of that hole. Even the option to maybe pay like I down it's like your next pay day but sometimes that pay is less than my end of the month pay or it ends up at the end of the month you have rent and all these things.... Maybe if you had the option to pay on the 30th instead of the 15th or I don't know. For me that would help sometimes because then I could pay it off on time and not be late." - Focus Group Participant 3.

The flexibility of pay back schedules for payday lenders was compared to previous products offered by mainstream banks. One participant, who has used payday loans for seven years, suggests that payday lenders extend their scheduling to six months which could be a bridge to show mainstream banks his ability to pay back what he has borrowed;

> "So flexibility to pay via a minimum payment or more. And you would have to coincide with earning credit. To kind of copycat what the mainstream banks used to do with the smaller loans.... If we did a 6 month pay back and borrowed a little bit more and stretched over 6 months, at the end of that 6 months you've shown them you didn't default so ok. Give me another one and let's do this twice in a year and at the end of that year perhaps go to a mainstream institution. And say look I' did this.... There'd be a light at the end of the tunnel. Because of the credit score that you could add to your credit score and make you less of a credit risk. That would be the ultimate goals. Because then you can get away from the payday loan. But I'm not suggesting that happens after one loan in one 6 month or 3 month payback period. I'm suggesting over a period of time. Could you imagine the credit I would have? I've been using this service for 7 years. My score, my rating would be high! Banks would love to have me as customer." - Focus group participant 5.

Another participant who focused on the role that mainstream banks could play as an alternative. In her explanation she compares Citi Financial to her credit union and how her credit union could develop loans for those who have declared bankruptcy.

> "If the credit union would've given me a loan for half of that because that's all I wanted was for I think it was $10,000. Then I wouldn't have to go

> through. I wouldn't have to go through debt to get into debt. To cover for debt. Citi was the only one because of my bankruptcy... I'm thinking if the credit union said here's the loan at 2% instead of saying here's the loan at 48% pay if off at 2% and your credit will build up and then you could get more. I would've said yes. But now I'm stuck an extra 15 thousand in interest over the last." - Focus Group Participant 1.

Another participant, who is currently on disability, had once owned her own business and had a mortgage but declared bankruptcy after a divorce. Her feedback focused on how the mainstream banks could further develop their services to assist customers like her.

> "I thought there has to be something they can do for people who have come from good situation who have just fallen into bad situations. It's hard. It really is. It's horrible. Like the person said, even an overdraft, a lower overdraft like somebody like you and I could afford. Not some ridiculous amount like $500 when you don't have a means to cover that...Every month its bank fees. It's ridiculous the amount of bank fees they charge you at some banks." - Focus group participant 2.

The building of relationships between mainstream banks and those with poor credit rating was also re-iterated by another participant. His explanation focuses on changing the perception of payday loans by mainstream banks and how this could help him to return as to using mainstream banks;

> "I would like to see, if a customer came to them saying I've been using payday loans in my case for seven years, not every month, but if I was in my month thing and many of my friends are month to month to month because of the interest rate. I believe your institution, who you've been loyal to, should look into ways to help you out. Even a simple phone call to MoneyMart.... By not given you an overdraft and continue to charge your service fees. It just boggles my mind. The personality of mainstream of mainstream financial institutions. It's horrible." - Focus Group Participant 5.

4.0 Conclusion

This report provides an understanding of Manitoba consumers' experiences with payday loans. Findings show that payday loans are used for a variety of reasons, at different frequencies, and for different periods of time. Push factors that contributed to participants' use of payday loans included financial constraints, poor budgetary skills, and changes to employment scheduling and pay. A prominent theme throughout the qualitative data was the role of mainstream banks and payday loan users. Findings show there is a mismatch of products offered by mainstream banks and the needs of participants. Participants also described feeling marginalized by mainstream banks in comparison to payday loan lenders. This stark contrast of the participants' relationship between payday lenders and mainstream banks contributed to their use of payday loans. Participants' social capital also played a significant role in introducing participants to using payday loans in that the majority of interviewed participants were recommended by friends and family to use payday loans. However, findings also show that the majority of participants were mindful in their borrowing practices. Feedback from focus group participants regarding alternatives to payday loans illustrates what products would work well for them and what features of the alternative examples were important to them. Findings from this report should be used as a guide to inform policy and to develop suitable alternative products in order to meet the needs of consumers who use payday loans. Further research is needed in order to understand payday loan consumers' experiences outside of Winnipeg and to better understand consumer's experiences with on-line payday loans.