

November 10, 2015

7 suggested initiatives from the CPLA to the Payday Lending and Financial Inclusion Task Force -

1. Optional extended payment plan
2. Restrictions on discounts and promotions of first time loans
3. Standard form contract
4. Job loss extension program
5. Restriction on default fees and interest charged on loans in default
6. Mandatory acceptance of settlement plans proposed by credit counselors
7. Mandatory referral to credit counseling services

1. Optional Extended Payment Plan

Where a borrower takes out three or more successive loans [which can be defined as third or subsequent payday loan taken within a 62 day period] then for that and each subsequent loan [that would qualify as a third or subsequent loan in 62 days], the lender must offer and the borrower has the option to accept repayment terms for that loan spread over at least three payment periods where no payment exceeds 35% of the sum of the principal and cost of borrowing.

2. Restrictions on Discounts and Promotions of First Time Loans

Lenders shall be restricted from offering discounts or promotions to new customers to take out loans.

3. Standard Form Contract

The Registrar of Payday Loans should proscribe a standard form of payday loan contract. This would include standardized terms and conditions in plain wording and in a consistent font addressing all areas covered under the Act and regulations including areas of collection rights, default fees, interest, use of pre-authorized debits, promise to pay, prepayment rights, no rights of renewal to. The purpose is to provide a clear understandable and succinct contract and avoid attempts by any lenders to confuse borrowers with convoluted and excessive legalese.

4. Job Loss Extension Program

If, following a borrower taking out a payday loan, the borrower experiences an involuntary job loss or loss of income, the borrower may notify the lender before the loan is due and provide reasonable evidence of the job or income loss. The lender then shall be obliged to extend the payment date of the outstanding loan to a date that is the next payday after the date three months following the date of notification to the lender. During such period no interest or fees will accrue on the outstanding loan.

5. Restriction on Default Fees and Interest Charged on Loans in Default

Currently when a borrower defaults on a loan, a lender can charge interest on the total amount owing at the rate of 60% per annum. The Act (sec. 33) provides that a lender can also charge "reasonable charges reflecting the costs the lender incurs..." as a result of a default. An interpretation bulletin in 2010 put this amount at \$50. The Government should consider setting a reduced interest rate and fixing a default charge in legislation that can be charged in the event of default.

6. Mandatory Acceptance of Settlement Plans Proposed by Credit Councilors

When an individual in financial distress meets with a credit counsellor the credit counsellor will develop a work out proposal and approach all the creditors of their client seeking an agreement to reduced and/or reschedule repayment of the debts. Some lenders refuse to accept these proposals. Payday loans always comprise a very small portion of a borrower's debt, yet the refusal by a payday lender to accept a proposal can create difficulties for the credit counselor. It would be appropriate to introduce a regulation requiring any licensed payday lender accept a proposal put forward by a not for profit credit counselor that provides for settlement of their debt pro-rata with all other creditors. This would greatly assist credit counselors and their clients.

7. Mandatory Referral to Credit Counseling Services

The government should consider a regulation that requires a lender to provide any borrower who has taken out three or more payday loans within a three month period with referral information to a credit counseling service at the time of applying for their next loan.

Stan

Hon. Stan Keyes, P.C.
President
Canadian Payday Loan Association
Association canadienne des prêteurs sur salaire
25 Main Street West, Suite 1600
Hamilton, ON L8P 1H1
Tel: 905-522-CPLA (2752) / Cell: 905-645-4434
Fax: 905-522-2310
stan.keyes@cpla-acps.ca
www.cpla-acps.ca