

Manitobans more likely to find unlicensed payday lenders online: study

Province's stringent rules may have 'unintended consequence' for consumers

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Manitobans looking for payday loans online are more likely to find unlicensed lenders than licensed lenders, according to a nationwide study released Friday by a non-profit consumer group.

"You are not safer in provinces with more regulation," said Ken Whitehurst, executive director of the Consumers Council of Canada.

He is calling the situation an "unintended consequence" of Manitoba's stringent payday loan regulations.

Twelve online lenders in Manitoba were investigated in the study and only two were found to be licensed by the province.

Manitoba has some of the toughest payday loan rules in Canada, according to the study. The province sets the lowest borrowing rate in the country, at \$17 per \$100 borrowed.

Licensed lenders must also restrict their borrowing to 30 per cent of net pay. As well, they must provide a notice to the consumer at the point of borrowing, stating the high cost of the loan, the right to cancel and information about credit counselling.

Newfoundland has the least amount of regulation and Whitehurst said consumers there are clearly exposed to unlicensed companies. Quebec caps interest rates at 35 per cent, which limits payday loan activities in that province.

Whitehurst added that the study found nearly all licensed lenders complied with regulations, but non-licensed players showed virtually no compliance with provincial regulations.

"Licensing has not made illegal lending go away," he said, adding that unlicensed lenders can also put consumer information and privacy at risk.

"Unlicensed lenders seem to request highly specific banking information," he said. "It's very difficult to know who you are dealing with online."

'Payday borrowing is very problematic'

The study found that a number of unlicensed lenders asked for passwords, account numbers and other information that connects them directly to borrowers' bank accounts.

"There's a fair amount of phishing that goes on now with banking information," he said. "It's hard to know if that is the primary goal."

The study looked at 134 payday loan websites from a consumer perspective across the country, in order to test compliance with regional regulations and gather data. Six provinces have laws to protect consumers and two are pending.

"Payday borrowing is very problematic," said Whitehurst.

He advised consumers in Manitoba to check with the provincial government's Consumer Protection Division for a list of licensed lenders, but stressed that consumers should look at their options carefully before signing up.

"If someone feels they need to get a payday loan, they may be well-advised to first get credit counselling," he said.

Consumer Experiences in Online Payday Loans

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