



News Release

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PUB FILES REPORT ON PAYDAY LOANS IN MANITOBA

The Public Utilities Board today filed its Report on Payday Loans in Manitoba with Minister Jim Rondeau, the Minister responsible for *The Consumer Protection Act* and *The Public Utilities Board Act*. The Board conducted a public review and consultation of Manitoba's payday loan regulations and the payday loan industry. The Board made certain findings and twelve (12) recommendations arising out of the consultation.

In its Report to the Minister the Board recommended that the cost of credit for a payday loan remain unchanged at 17% of principal loaned and that the borrowing limit remain at 30% of net pay. The Board also recommended that replacement loans remain available at the existing rate cap of 5% and payday lenders should be entitled to recover the full cost of a dishonoured cheque or debit charge.

Payday Loans are an expensive way to borrow money, a \$17 fee on a two-week, \$100 loan is equivalent to paying 442% annually as the cost of borrowing.

The Board also made a number of other recommendations respecting possible new borrowing disclosure obligations, data collection provisions for recovery of more detailed information from lenders, further investigation of internet lending and possible further regulatory control respecting unlicensed internet products.

The proliferation of unlicensed internet lenders operating in Manitoba is an issue. The Board recommended that further research be completed in this area and that the Manitoba Government work with other governments to consider what more may be done to control unlicensed offerings, or to make consumers more aware of these unregulated businesses.

The Board also recommended that the Government of Manitoba investigate and consider what can be done regarding the regulation of payday loan-like products. There is room for confusion in the current circumstances and the potential for harm to consumers. The Board notes with concern, the rates being charged in Manitoba's unsecured personal consumer credit industry for payday loan-like offerings. Currently, businesses offering these products are not regulated as payday lenders.

The full Recommendations of the Board are:

1. The definition of cost of credit remains as formulated. The single rate should continue to include all of the component costs for a payday loan.
2. The total cost of credit for a payday loan remain at 17% of the principal amount of a payday loan.
3. The limit on the rate for replacement, extension or renewal loans remain at 5% of the principal amount of the payday loan.
4. The limit on the rate at 5% remain for loans provided within seven days to the same borrower.
5. The limit on borrowing remain at 30% of net pay based on the definition in the existing regulation.
6. Upon default the current interest rate remain at 2.5% per month, non-compounding.
7. The full expense of a dishonoured cheque or debit transaction incurred by a lender be recoverable, subject to proof of the actual cost incurred and disclosure by the lender to the borrower.
8. The licensing fee and the financial education levy remain in place and at the rates currently set. Education funds should be used for direct consumer education. A targeted approach to distinguish between licensed and unlicensed lenders is required now.

9. The Minister investigate and consider what action can be taken regarding the regulation of payday loan-like products.
10. Further research be completed respecting unlicensed internet payday lending in Manitoba and that the Manitoba Government work with other governments to consider what may be done to control unlicensed offerings, or to reduce the risks to Manitoba consumers from these unregulated businesses. Licensing requirements should include proof that the lender has a registered office in Manitoba.
11. A cumulative borrowing disclosure notice, to appear on every new payday loan transaction statement between a lender and a borrower and disclosing the cumulative loan amount and the cumulative actual dollar cost for all loans for that borrower within a calendar year, be adopted by regulation.
12. The Consumer Protection Office require lenders to provide statistics annually including: total number of loans issued, total number of borrowers, number of loans per borrower, number of full time and part time employees including owner and managers. The Manitoba Government should also consider the statistical reporting requirements in other Canadian jurisdictions to determine the most useful data that is both available for confidential filing by lenders for aggregation and public disclosure and that will serve the interests of regulators including any future review by The Board or government.

A copy of the Report, which contains significant additional information, may be reviewed on the Board's website www.pub.gov.mb.ca, or be obtained through the Board's Office.

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