



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: 2016 PAYDAY LOAN REVIEW

Before Board Panel:

- Karen Botting - Panel Chairperson
- Regis Gosselin - Panel Member
- Anita Neville - Panel Member
- Susan Proven - Panel Member
- Allan Morin - Panel Member

HELD AT:

Public Utilities Board  
400, 330 Portage Avenue  
Winnipeg, Manitoba

April 12, 2016

Pages 1 to 238

APPEARANCES

1  
2 Kathleen McCandless ) Board Counsel  
3  
4 Byron Williams ) Coalition  
5 Katrine Dilay )  
6  
7 Stan Keyes ) Canadian Payday  
8 ) Loans Association  
9  
10 Danielle Gaudreault (by phone) ) C11 A1 Financing  
11 ) & Loans  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1	TABLE OF CONTENTS	
2		Page No.
3	List of Exhibits	4
4		
5	Opening Comments by the Panel Chairperson	13
6	Opening Comments by Board Counsel	20
7	Opening Comments by the Coalition	26
8	Opening Comments Canadian Payday Loans Association	56
9	Opening Comments C11 A1 Financing & Loans	87
10		
11	Presentation by Policis	93
12	Question Period	128
13	Presentation by the Money Tree	141
14	Question Period	150
15	Presentation by Cash Money	163
16	Question Period	175
17	Presentation by Mr. Ron Shemley	179
18	Question Period	182
19		
20	COALITION PANEL 1:	
21	ZOE ST. AUBIN, Sworn (Qualified)	
22	JERRY BUCKLAND, Sworn (Qualified)	
23	CHRIS ROBINSON, Affirmed (Qualified)	
24	WAYNE SIMPSON, Sworn (Qualified)	
25		

	Page No.
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	

TABLE OF CONTENTS (Con't)

	Page No.
Examination-in-chief by Mr. Byron Williams and Ms. Katrine Dilay (Qualification)	190
Board Questions (Qualification)	228
Ruling (Qualification)	233
Certificate of Transcript	238

LIST OF EXHIBITS		
EXHIBIT NO.	DESCRIPTION	PAGE NO.
1		
2		
3	PUB-1 Notice of Public Hearing	21
4	PUB-2 Rules of Practice and Procedure	21
5	PUB-3 Order No. 28/16 dated March 1, 2016	21
6	PUB-4 Order No. 30/16 dated March 8, 2016	22
7	PUB-5 Order No. 33/16 dated March 14, 2016	
8	amending timetable	22
9	PUB-6 Public Utilities Board to Consumers'	
10	Association of Canada (Manitoba),	
11	Winnipeg Harvest and Community	
12	Financial Counselling Services (CAC)	
13	Information Requests and Responses,	
14	IRs No. 1-42	22
15	PUB-7 Public Utilities Board to Canadian	
16	Payday Loan Association (CPLA)	
17	Information Requests and Responses,	
18	IRs No. 1-47	23
19	PUB-8 Public Utilities Board to C11-A1	
20	Financing and Loans (C11) Information	
21	Requests and Responses, IRs No. 1-18	23
22		
23		
24		
25		

1		LIST OF EXHIBITS	
2	NO.	DESCRIPTION	PAGE NO.
3	PUB-9	Letter to Darren Christle, March 9,	
4		2016, from Manitoba Consumer	
5		Protection Office and Report from	
6		Manitoba Consumer Protection Office on	
7		Payday Loans data 2016	24
8	PUB-10	Pitblado LLP research report: Payday	
9		Lending Regulation in Other Canadian	
10		Jurisdictions, April 4, 2016	24
11	CAC-1	Intervener Application form of	
12		Consumers' Association of Canada (MB) /	
13		Winnipeg Harvest/Community Financial	
14		Counselling Services, (jointly) (CAC)	
15		February 19, 2016	
16	CAC-2	Attachment to Intervener Application	
17		form of CAC - Budget Estimate of CAC	
18	CAC-3	Pre-filed evidence of CAC, Tab 1, J.	
19		Buckland, Ph.D. & G. Henderson, SJD:	
20		Executive Summary, Payday Lending in	
21		Manitoba: A Mature Industry with	
22		Chronic Challenges	
23			
24			
25			

1	LIST OF EXHIBITS		
2	NO.	DESCRIPTION	PAGE NO.
3	CAC-4	Pre-filed evidence of CAC, Tab 2, J.	
4		Buckland, Ph.D. & G Henderson, SJD:	
5		Payday Lending in Manitoba: A Mature	
6		Industry with Chronic Challenges	
7	CAC-5	Pre-filed evidence of CAC, Tab 3, C.	
8		Robinson, PhD, CFP, CPA, CA: An	
9		Economic Analysis of the Payday Loan	
10		Industry and Recommendation for	
11		Regulation in Manitoba	
12	CAC-6	Pre-filed evidence of CAC, Tab 4, W.	
13		Simpson & K. Islam: A Profile of Payday	
14		Loans Consumers Based on the 2014	
15		Canadian Financial Capability Survey	
16	CAC-7	Pre-filed evidence of CAC, Tab 5, W.	
17		Simpson & K. Islam: Payday Loans	
18		Consumer Profile Based on the Survey of	
19		Financial Security.	
20	CAC-8	Pre-filed evidence of CAC, Tab 6A, Z.	
21		St. Aubin, MA, DBA: Manitoba Consumers	
22		Experiences with Payday Loans Research	
23		Study.	
24			
25			

1	LIST OF EXHIBITS	
2	NO.	DESCRIPTION PAGE NO.
3	CAC-9	Pre-filed evidence of CAC, Tab 6B, J.
4		Buckland, Ph.D, E. Sinclair, J. Piec:
5		Focus Group Two: Comparing Payday Loans
6		and Two Alternative Small Loan Products
7	CAC-10	Pre-filed evidence of CAC, Tab 7, E.
8		Sinclair: Manitoba Consumers'
9		Experiences with Payday Loans: Pricing
10		and Practices of Licensed Payday
11		Lenders in Manitoba.
12	CAC-11	Pre-filed evidence of CAC, Tab 8: Map
13		Data of Payday Lenders in Winnipeg
14	CAC-12	Pre-filed evidence of CAC, Tab 9: J.
15		Buckland, PhD, E. Sinclair, K. Martin:
16		Small Loan Workshop: Summary of
17		Proceedings and Recommendations
18	CAC-13	Pre-filed evidence of CAC, Tab 10: B.
19		Williams & K. Dilay: Payday Lending
20		Legal Narrative
21	CAC-14	Pre-filed evidence of CAC, Appendix A:
22		Dollar Financial Group 2013 10-K
23	CAC-15	Pre-filed evidence of CAC, Appendix B:
24		Pew Charitable Trusts Report, Who
25		Borrows, Where they Borrow, and Why



## LIST OF EXHIBITS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
NO.	DESCRIPTION	PAGE NO.																						
CAC-16	Pre-filed evidence of CAC, Appendix C:																							
	Pew Charitable Trusts Report, Policy																							
	Solutions.																							
CAC-17	Pre-filed evidence of CAC, Appendix D:																							
	Cardus Report, Banking on the Margins:																							
	Finding Ways to Build an Enabling																							
	Small-Dollar Credit Market																							
CAC-18	Pre-filed evidence of CAC, Appendix E:																							
	Table of distances open/closed stores																							
	in Manitoba																							
CAC-19	Pre-filed evidence of CAC, Appendix F:																							
	Requests for Data and Response																							
CAC-20	Pre-filed evidence of CAC, Appendix G:																							
	Curriculum vitae of Dr. Jerry D.																							
	Patrick Buckland																							
CAC-21	Pre-filed evidence of CAC, Appendix G:																							
	Curriculum vitae of Dr. Chris Robinson																							
CAC-22	Pre-filed evidence of CAC, Appendix G:																							
	Curriculum vitae of Dr. Wayne Simpson																							
CAC-23	Pre-filed evidence of CAC, Appendix G:																							
	Curriculum vitae of Zoe St. Aubin																							

1	LIST OF EXHIBITS		
2	NO.	DESCRIPTION	PAGE NO.
3	CAC-24	Pre-filed evidence of CAC, Appendix G:	
4		Statement of Qualification for Dr.	
5		Jerry Buckland	
6	CAC-25	Pre-filed evidence of CAC, Appendix G:	
7		Statement of Qualification for Dr.	
8		Chris Robinson	
9	CAC-26	Pre-filed evidence of CAC, Appendix G:	
10		Statement of Qualification for Dr.	
11		Wayne Simpson	
12	CAC-27	Pre-filed evidence of CAC, Appendix G:	
13		Statement of Qualification for oe St.	
14		Aubin	
15	CAC-28	CAC to CPLA Information Requests and	
16		Responses, IRs No. 1-24	
17	CAC-29	CAC to C11 Information Requests and	
18		Responses, Irs No. 1-8	
19	CAC-30	CAC - PPT Presentation	26
20	CAC-31	Outline of Coalition Evidence	187
21	CAC-32	Payday lending: A Mature Industry with	
22		Chronic Challenges	188
23	CAC-33	Comparing Payday and two alternatives,	
24		Focus Group No. 2	188
25			

1	LIST OF EXHIBITS		
2	NO.	DESCRIPTION	PAGE NO.
3	CAC-34	Survey evidence Payday Borrowing	188
4	CAC-35	MB Consumers experience	189
5	CAC-36	Three recommendations owl	189
6	CPLA-1	Intervener Application form of Canadian	
7		Payday Loan Association (CPLA) January	
8		28, 2016	
9	CPLA-2	Pre-filed evidence of CPLA	
10	CPLA-3	Pre-filed evidence of CPLA, Schedule A,	
11		Manitoba Payday Lender License Count	
12		2009-2016 (January 2016)	
13	CPLA-4	Pre-filed evidence of CPLA, Schedule B,	
14		Environics Research Group: Payday Loan	
15		Users Study, Manitoba	
16	CPLA-5	Pre-filed evidence of CPLA, Schedule C,	
17		Chart of Maximum Lending Rates and	
18		Other Regulations in Canada	
19	CPLA-6	Pre-filed evidence of CPLA, Schedule D,	
20		Sample of web pages of Manitoba	
21		Internet Payday lenders, March 2016	
22	CPLA-7	Pre-filed evidence of CPLA, Schedule E,	
23		CBC News article, July 31, 2015,	
24		Manitobans more likely to find	
25		unlicensed payday lenders online: study	

## LIST OF EXHIBITS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
	NO.		DESCRIPTION				PAGE NO.																	
	CPLA-8		Pre-filed evidence of CPLA, Schedule F, Consumers Council of Canada Report, Consumer Experiences in Online Payday Loans, 2015																					
	CPLA-9		Pre-filed evidence of CPLA, Schedule G, Deloitte LLP: Summary of the 2015 Survey on the Cost of Providing Payday Loans in Alberta																					
	CPLA-10		Pre-filed evidence of CPLA, Schedule H, Letter from Grant Thornton LLP to CPLA, October 1, 2015																					
	CPLA-11		CPLA to CAC Information Requests and Responses, IRs No. 1-73																					
	CPLA-12		CPLA - Opening Comments																					

1 --- Upon commencing at 9:30 a.m.

2

3 OPENING COMMENTS BY THE PANEL CHAIRPERSON:

4 THE PANEL CHAIRPERSON: Good morning,  
5 ladies and gentlemen. My name is Karen Botting, and  
6 I'm the vice-Chair of the Public Utilities Board and  
7 today's panel Chair.

8 We are here today for the hearing of  
9 the Public Utilities Board 2016 triennial payday loans  
10 review. I'd like to introduce my fellow panel -- panel  
11 members who are with me today.

12 On my immediate left is the Chair of  
13 the Public Utilities Board, Mr. Reg -- Regis Gosselin.  
14 To his left is the Honourable Anita Neville, and on my  
15 right is Mr. Al Morin, and on my far right is Ms.  
16 Susan Proven.

17 The Board is assisted in this review by  
18 Board secretary Darren Christle, who's over there, and  
19 Board counsel Kath -- Kathleen McCandless. Also with  
20 -- with us today is Ms. Diana Villegas who will manage  
21 our electronic document system.

22 I will also introduce Bob Keelaghan,  
23 who's over there, who will act as our reporter.  
24 Transcripts of his hearing will be recorded by Digi-  
25 Tran and made available on our website.

1                   We will begin the hearing on each  
2 hearing date at 9:30 a.m. -- I noticed quite a few of  
3 you were here for 9:00, so we were a little worried --  
4 and adjourn at approximately 4:00 p.m. Each day will  
5 include a mid-morning break, lunch, and a mid-  
6 afternoon break.

7                   Pursuant to Section 164 of the Consumer  
8 Protection Act of Manitoba, the Board is required to  
9 conduct this public review of specific aspects of  
10 amounts charged to consumers respecting payday loan  
11 transactions. And the Board is thereafter charged  
12 with the responsibility of making a report to the  
13 Government of Manitoba of consultations and this  
14 panel's recommendations arising from the review.

15                   Every this year, the Minister must  
16 review the effectiveness of Part 18 of the Act and the  
17 regulations under the same Part and decide (a) whether  
18 to require a further review by the Board in accordance  
19 with Section 164 of the Act, and (b) whether to  
20 recommend changes to the payday loans provisions of  
21 the Act or the regulations under Part 18.

22                   By its letter that we received June  
23 30th, 2015, the Minister responsible asked the Board  
24 to review, no later than 2016, the maximum payday loan  
25 limits.

1                   The Board was specifically asked to  
2 analyze the impacts of reducing the maximum allowable  
3 rate that may be charged for a payday loan from  
4 seventeen dollars (\$17) per one hundred (100) borrowed  
5 to fifteen dollars (\$15) per one hundred (100)  
6 borrowed, and the impacts of reducing the proportion  
7 of a borrower's -- borrower's net pay, which is used  
8 to determine the maximum loan amount from 30 percent  
9 to 25 percent.

10                   In this hearing, of course, there is no  
11 applicant, and, therefore, no onus of proof on any of  
12 the participants. Further, the Board is making  
13 recommendations in a report to government and not  
14 setting the cost of credit or any of the related  
15 aspects of fees chargeable for payday loan  
16 transactions. The panel can make recommendations  
17 about the regulation of payday lenders or payday loans  
18 in addition to the mandatory requirements to be  
19 addressed in our report.

20                   A public notice of hearing was issued  
21 with respect to this payday loans review, both in  
22 Winnipeg and in a variety of pub -- provincial  
23 publications on January 9th, 2016.

24                   By Order 30/'16, Intervenor status was  
25 granted to three (3) Intervenors:

1                   1. A joint intervention of the  
2 Consumer's Association of Canada, Manitoba branch;  
3 Winnipeg Harvest; and Community Financial Counselling  
4 services.

5                   2. The Canadian Payday Loans  
6 Association.

7                   And 3. C11 A1 Financing & Loans.

8                   We have received pre-filed evidence  
9 from three (3) Intervenors, namely, the Coalition,  
10 CPLA, and C11, as well as some additional information  
11 sourced by the Board itself. The panel members have  
12 had the opportunity to read what has been filed. All  
13 such information, in accordance with the process  
14 established for this review, has been circulated and  
15 made available to all the Intervenors.

16                   We will hear today from four (4)  
17 presenters who may have some further questions of the  
18 presenters -- and we may have some further questions  
19 of the presenters, and the panel may interrupt you as  
20 you're going through your presentations. To the  
21 extent you can assist us in clarifying any matters, or  
22 assist us in understanding a particular position or  
23 rationale, we would be grateful. We thank you in  
24 advance for your cooperation in this regard.

25                   Following the presentations, we will



1 begin with the evidentiary portion of the hearing if  
2 time permits later today. Upon completion of this  
3 phase of the review, the panel will deliberate and  
4 will make a written report to the Minister in  
5 accordance with the requirements under the Consumer  
6 Protection Act.

7                   The report will be published on the  
8 PUB's website when it is released, and will be  
9 circulated to all Intervenors as well. The Manitoba  
10 Ombudsman has issued privacy guidelines for  
11 administrative tribunals. The PUB is mindful of its  
12 obligations under these guidelines.

13                   Its decisions in respect of this  
14 hearing will be sensitive to the guidelines. Personal  
15 information will not be disclosed unless it is  
16 appropriate and necessary to do so. However, the PUB  
17 advises its participants that these proceedings are  
18 public, and that as a result, personal information  
19 protections are reduced.

20                   I now call on Ms. McCandless for  
21 introductions, followed by the introductions by the  
22 Intervenors. Ms. McCandless will then give her  
23 introductory remarks, after which I will call on the  
24 Intervenors to provide theirs.

25                   We will then proceed with presentations

1 from the four (4) presenters.

2 Ms. McCandless...?

3 MS. KATHLEEN MCCANDLESS: Thank you,  
4 Madam Chair. Good morning. My name is Kathleen  
5 McCandless, and I am counsel to the Board for this  
6 2016 payday loans review. To my left is Grace  
7 Wedlake, Accounting Advisor to the Board.

8 THE PANEL CHAIRPERSON: Thank you.  
9 I'll call upon Consumer's Association of Canada, who  
10 is the Coalition with Winnipeg Harvest, Community  
11 Financial Counselling Services. Mr. Williams...?

12 MR. BYRON WILLIAMS: Yes, and good  
13 morning, members of the panel. And good morning to  
14 our very eclectic crowd. I think we have  
15 representatives from the payday lending industry, from  
16 Manitoba Public Insurance, from a credit union, from  
17 my poverty and law -- and the law class, and from the  
18 Public Interest Law Centre, and a guest from the  
19 United Kingdom.

20 So I -- I think it's a -- a great  
21 crowd. To my right is my colleague Ms. Katrine Dilay,  
22 soon to be Me. Dilay, based upon her -- the cheers in  
23 the hallway I heard yesterday when I understood she  
24 completed her CPLEDs successfully.

25 THE PANEL CHAIRPERSON:

1 Congratulations to you. I'd like to call upon the  
2 Payday Loans Association representative to introduce,  
3 Mr. -- Honourable Stan Keyes.

4 MR. STAN KEYES: There it is. We had  
5 that three (3) mic thing last year -- two(2) or three  
6 (3) years ago.

7 Good morning, Madam Chair. Stan Keyes.  
8 I'm president of the Canadian Payday Loan Association.  
9 This is my tenth year with the Association, and third  
10 appearance at the -- these venerable hearings. And  
11 joining me is our chairman -- our -- our -- rather,  
12 our secretary of the board of directors and counsel to  
13 the CPLA, Mr. Norman Bishop, who is also very familiar  
14 with these hearings, as well. We look forward to  
15 presenting our evidence. Thank you.

16 THE PANEL CHAIRPERSON: Thank you very  
17 much, Mr. Keyes. Now, I'd like to let you know that  
18 we have 'C' double -- C11 A1 Financing & Loans, who is  
19 currently on the telephone by teleconference from  
20 Thompson. It's Ms. Danielle Gaudreault.

21 Ms. Gaudreault, are you hearing us?

22 MS. DANIELLE GAUDREULT (BY PHONE):  
23 Yes, Madam Chair, I hear fine. Thank you.

24 THE PANEL CHAIRPERSON: And would you  
25 like to just tell a little bit about yourself, or...

1 MS. DANIELLE GAUDREULT (BY PHONE):

2 Absolutely. As you'd said, my name is Danielle  
3 Gaudreault, and I'm speaking with you this morning on  
4 behalf of C11 A1 Financing & Loans in Thompson.

5 We've been very pleased to participate  
6 in the review of the regulations this year, and hope  
7 that our Intervenor submissions and our responses to  
8 the Information Requests have helped Board and  
9 counsel, the Coalition, to provide insight into what  
10 payday loan companies in Manitoba may be faced with.  
11 And more specifically, maybe what we're faced with  
12 here on a daily basis in Thompson.

13 We will be available throughout your  
14 proceedings, as well, to offer any further information  
15 that may be beneficial or required by the panel.  
16 Thank you.

17 THE PANEL CHAIRPERSON: Thank you very  
18 much. Now, I'm going to go back to Ms. McCandless to  
19 give opening comments from the Board as our Board  
20 counsel.

21

22 OPENING COMMENTS BY BOARD COUNSEL:

23 MS. KATHLEEN MCCANDLESS: Thank you,  
24 Madam Chair. Thank everyone -- thank you, everyone,  
25 for your introductions. Madam Chair, thank you also

1 for outlining the specific purposes of this review.  
2 We expect to cover a lot of ground the next five (5)  
3 days, and I thank everyone for their cooperation in --  
4 in getting this together.

5 I would now ask to enter the following  
6 exhibits in this review on behalf of the Board. The  
7 first will be Exhibit PUB-1, the notice of public  
8 hearing, published January 9th, 2016.

9

10 --- EXHIBIT NO. PUB-1: Notice of public hearing  
11 published January 9th,  
12 2016

13

14 MS. KATHLEEN MCCANDLESS: Second is  
15 Exhibit PUB-2, the Board's Rules of Practice and  
16 Procedure.

17

18 --- EXHIBIT NO. PUB-2: Board's Rules of Practice  
19 and Procedure

20

21 MS. KATHLEEN MCCANDLESS: Exhibit PUB-  
22 3, Board Order number 28/'16 dated March 1st, 2016.

23

24 --- EXHIBIT NO. PUB-3: Board Order number 28/'16  
25 dated March 1st, 2016

1 MS. KATHLEEN MCCANDLESS: Exhibit PUB-  
2 4, Board Order number 30/'16, dated March 8th, 2016.

3

4 --- EXHIBIT NO. PUB-4: Board Order number 30/'16  
5 dated March 8th, 2016

6

7 MS. KATHLEEN MCCANDLESS: Exhibit PUB-  
8 5, Board Order number 33/'16, dated March 14, 2016,  
9 which amended the timetable.

10

11 --- EXHIBIT NO. PUB-5: Board Order number 33/'16  
12 dated March 14, 2016

13

14 MS. KATHLEEN MCCANDLESS: Exhibits  
15 PUB-6-1 to 6-42, those are the Board's Information  
16 Requests to the joint intervention of the Consumers  
17 Association of Canada, Manitoba branch, Winnipeg  
18 Harvest, and Community Financial Counselling Services,  
19 which I'll refer to as the Coalition, and the  
20 Coalition's responses to those requests.

21

22 --- EXHIBIT NO. PUB-6-1 THROUGH 6-42:

23 Board's Information Requests to the  
24 joint intervention of the Coalition and  
25 their responses

1 MS. KATHLEEN MCCANDLESS: Next is  
2 Exhibits PUB-7-1 to 7-47, the Board's Information  
3 Requests to the Canadian Payday Loan Association, and  
4 the CPLA's responses to those requests.

5

6 --- EXHIBIT NO. PUB-7-1 THROUGH 7-47:

7 Board's Information Requests to the  
8 Canadian Payday Loan Association and  
9 their responses

10

11 MS. KATHLEEN MCCANDLESS: Then  
12 Exhibits PUB-8-1 to 8-18, those are the Board's  
13 Information Requests to C11 A1 Financing and Loans,  
14 and C11's responses to those requests.

15

16 --- EXHIBIT NO. PUB-8-1 THROUGH 8-18:

17 Board's Information Requests to C11 A1  
18 Financing and Loans and their responses

19

20 MS. KATHLEEN MCCANDLESS: Exhibit PUB-  
21 9, a letter to Darren Christle, dated March 9, 2016,  
22 from the Manitoba Consumer Protection Office, and a  
23 report from the Mani -- Manitoba Consumer Protection  
24 Office on payday loans data for 2016.

25

1 --- EXHIBIT NO. PUB-9: Letter to Darren Crystal  
2 dated March 9, 2016, from  
3 the Manitoba Consumer  
4 Protection Office, and a  
5 report from the Manitoba  
6 Consumer Protection Office  
7 on payday loans data for  
8 2016  
9

10 MS. KATHLEEN MCCANDLESS: Lastly,  
11 Exhibit PUB-10. That's Pitblado LLP's research report  
12 on payday lending in other Canadian jurisdictions.  
13 That's dated April 4th, 2016.  
14

15 --- EXHIBIT NO. PUB-10: Pitblado LLP's research  
16 report on payday lending  
17 in other Canadian  
18 jurisdictions dated April  
19 4th, 2016.  
20

21 MS. KATHLEEN MCCANDLESS: I would now  
22 refer to the procedural outline which was distributed  
23 this morning. That's where the -- the mat -- the  
24 orders to be heard are reflected. And after opening  
25 remarks, we will proceed with our first presenter to



1 be scheduled at 11:00 a.m. this morning.

2                   We have four (4) presenters today. We  
3 expect that after the first presenter, we will break  
4 for lunch, and then we'll have the following three (3)  
5 in the afternoon. Our first presenter will be Ms.  
6 Anna Ellison from Policis in the United Kingdom. This  
7 afternoon we will also have Janet Davis, from the  
8 Money Tree, Melissa Soper, from Cash Money, and Ron  
9 Shemley, member of the public.

10                   We expect that we will be able this  
11 afternoon to begin with the Coalition's expert  
12 evidence. And for the record, we have five (5)  
13 scheduled hearing dates. They are today, tomorrow,  
14 Thursday and Friday of this week, so the 12th to the  
15 15th of April, and then next Monday April 18th. We  
16 may not require the full five (5) days of hearing, but  
17 we will determine any changes as necessary as the week  
18 proceeds.

19                   We expect that we should be able to  
20 have all the evidence in this week with closing  
21 remarks to be made on Monday April 18th. Those are my  
22 opening remarks, Madam Chair. Thank you.

23                   THE PANEL CHAIRPERSON: Thank you very  
24 much, Ms. McCandless. Now I'll ask Mr. Williams to  
25 give his opening remarks.

1

2 OPENING COMMENTS BY THE COALITION:

3

MR. BYRON WILLIAMS: Thank you, Madam  
4 Chair. And just while we're waiting for our  
5 PowerPoint to come up, the Coalition has twenty-nine  
6 (29) exhibits filed already. I will not go through  
7 them in -- in detail, except for to note that they're  
8 the expert reports and attachments of our witnesses as  
9 well as our Information responses and questions -- or  
10 our Information questions and responses from the CPLA  
11 and C11.

12

And I hope the panel has in front of  
13 you a blue document, which is our PowerPoint, which I  
14 would suggest to the panel be marked as CAC -- or  
15 excuse me, Coalition Exhibit number 30.

16

17 --- EXHIBIT NO. CAC-1-30: PowerPoint

18

19

MR. BYRON WILLIAMS: Thank you.  
20 Members of the panel, it's -- you're -- you're fairly  
21 familiar with two (2) of my clients. CAC (Manitoba)  
22 is -- is here just about permanently, whether it's on  
23 natural, hydro electric or Manitoba Public Insurance  
24 hearings. Winnipeg Harvest is here, as -- as well.

25

The -- the member of the Coalition that

1 you might be a little less familiar with is Community  
2 Financial Counselling Services. Like our other  
3 clients, it is a nonprofit community-based  
4 organization offering free credit charge -- free  
5 credit counselling to individuals. It delivers a wide  
6 array of education and financial literacy programs,  
7 seminars and workshops.

8                   And it is an advocate on behalf of  
9 Manitobans for fair practices in lending, debt  
10 repayment and financial services. It has an  
11 innovative part -- partnership with the CRA, the  
12 Canada Revenue Agency, which provides thirty thousand  
13 (30,000) low income Manitobans annually with free  
14 income tax preparation.

15                   Winnipeg Harvest the panel will be more  
16 familiar with. And I'll simply note the tremendous  
17 contribution Winnipeg Harvest makes to Manitoba,  
18 helping to feed sixty-three thousand (63,000)  
19 Manitobans a month through its partnership with over  
20 three hundred and forty (340) agencies not just in  
21 Winnipeg, but throughout this Province, including the  
22 North.

23                   And, finally, CAC (Manitoba). And the  
24 panel is well aware of CAC (Manitoba's) contribution  
25 to the regulatory process, and beyond the regulatory

1 process to the legislative process, interacting with  
2 thousands of consumers annually and through its  
3 research and consumer education and information  
4 services.

5                   My clients felt it was important to  
6 share that their participation in -- in the payday  
7 lending dialogue is both within the regulatory process  
8 and outside the regulatory process. They were here in  
9 '07/'08. They were here in 2013. But they've also  
10 worked closely with the Province and other community  
11 organizations in a really innovative conference on  
12 community options for financial services held in 2011.

13                   CAC (Manitoba), in collaboration with  
14 the Public Interest Law Centre, has done some really  
15 thoughtful work on privacy and the internet, which is  
16 part of the public record. And obviously, our clients  
17 continue to interact regularly with payday lending  
18 borrowers, including their own focus groups over and  
19 above the focus groups conducted by their experts.

20                   I'm pleased to tell you as well that  
21 our clients and the Public Interest Law Centre are  
22 part of a broader movement in terms of financial  
23 empowerment in Manitoba which we hope you'll be  
24 hearing more about in the days and weeks to come.

25                   Our clients are community based, and

1 they are tremendously proud that the Public Utilities  
2 Board process has allowed them in this hearing to  
3 bring an unprecedented voice for Manitoba consumers to  
4 this hearing.

5                   You hear that voice in national surveys  
6 from Statistics Canada that our client will present,  
7 and also in the report of one hundred and thirty (130)  
8 interviews that our client conducted with payday  
9 lending borrowers.

10                   And they found them the old-fashioned  
11 way, some through the internet -- unfortunately, not  
12 as many as they would like, but most of them through  
13 pounding the pavement primarily and dominantly in the  
14 City of Winnipeg.

15                   Our client in -- in addition in this  
16 hearing will bring the perspective from nine (9)  
17 longer interviews with payday lending borrowers,  
18 exclusively repeat borrowers, or those who have taken  
19 out payday loans on the internet, as well as two (2)  
20 focus groups.

21                   And they're very pleased that the Board  
22 has enabled a community panel comprised of three (3)  
23 community members to present I believe on -- on  
24 Thursday. And -- and from our clients' perspective,  
25 it's a tremendously courageous decision by our -- our

1 panel members.

2                   There's -- as we all know, there's  
3 stigma associated with financial challenges, and we  
4 applaud the courage of these panellists in coming  
5 forward and look forward to the insight that they can  
6 provide.

7                   Our clients are approaching this  
8 hearing from three (3) central realities. First of  
9 all, access to credit is a critically important  
10 product in our -- in our society today, and that's  
11 important to understand.

12                   They recognize as well that the  
13 population who takes out payday loans are  
14 disproportionately comprised of vulnerable consumers.  
15 They tend to be of lower income and lower wealth, and  
16 that there are challenges in the marketplace. And  
17 I'll go into those in -- in a bit more detail in a  
18 moment or two (2).

19                   And our clients are trying to balance  
20 in their recommendations to you the issues of consumer  
21 access, consumer protection, and industry  
22 sustainability. And they want to underline the point  
23 that these deliberations are taking place and have to  
24 continue to take place in a transparent, publicly-  
25 accessible process such as the Public Utilities Board

1 is -- is offering.

2 Our clients thing that is so important.  
3 That's one of the great strengths of the Manitoba  
4 approach, and it's one they -- they hope and expect  
5 will continue in the future, no matter what happens on  
6 April 19th.

7 Our client wants to -- clients want to  
8 underline the rigorous analytical approach that this  
9 Public Utilities Board has brought to its prior  
10 deliberations in terms of payday lending. They have  
11 worked from the premise that we're setting rates for  
12 efficient payday lenders, that that's the balance that  
13 we have to achieve in the -- in the marketplace.

14 And I note that the Public Utilities  
15 Board went into this concept of efficacious --  
16 efficiency with its eyes wide open back in 2008. It  
17 advised parties that there would be consolidation in  
18 the market as an industry matures and its regulation  
19 is implemented. But it was expected that the industry  
20 would be sustainable.

21 We also note on the second bullet on  
22 this page the wise observation by the Public Utilities  
23 Board back in '08 which continues to this day, we  
24 would submit, that the market by itself isn't enough  
25 to protect consumers. And that's where vigorous,

1 balanced regulation is important, and our clients  
2 think that's a -- an important standard to continue.

3           We simply note from the 2013 review on  
4 slide 9 that again the Board applied the standard of  
5 setting rates for efficiently-run payday lending  
6 operations, and also just -- we thought the quote from  
7 the Board at the bottom of -- of slide 9 speaking to  
8 the stress that credits -- that -- the attendant  
9 emotional and psychological harm flowing from credit  
10 stress was an important human observation, an  
11 important recognition of the human side of the -- the  
12 issue that sometimes lawyers, at least this lawyer,  
13 sometimes tends to forget. And it's something we --  
14 we thought deserved to be brought before the Board as  
15 good advice.

16           So the Board's approach, both in '08  
17 and in 2013, in our submission was the proper  
18 approach. It's the approach that should be adopted  
19 going forward, and it is an approach that is  
20 consistent with good regulatory practice across North  
21 America.

22           Basically, the -- the key point being  
23 providing a reasonable opportunity for efficiently run  
24 companies to run risk adjusted return for comparable  
25 companies of similar risk -- risk.



1           The fancy -- the legal words for that  
2 is a just and reasonable rate. And -- and that is  
3 what our clients believe is the -- the approach that  
4 the Board should continue to apply.

5           We've provided you with precedent,  
6 whether from the BCUC, a couple of PUB orders relating  
7 to Hydro Manitoba Public Insurance, as well as from  
8 the -- the payday lending reviews. And that's the  
9 advice and the approach the Board has taken and we  
10 think it's a good approach for providing access,  
11 protection, and sustainability.

12           I was a little intimidated when I  
13 looked at the great big thick binders associated with  
14 this hearing, and maybe I'm the only one in the room  
15 that was, although I suspect not. And I -- from our  
16 client's perspective the Board is faced with some real  
17 challenges in weighing the evidence in this hearing.

18           There's a lot of information. The time  
19 frame for this much infor -- information is relatively  
20 constrained. And the way that the evidence has come  
21 in is -- is, in our respectful submission, a bit  
22 unusual. That's not inappropriate, but it is unu --  
23 unusual.

24           And I -- I have -- I struggle with  
25 trying to recall circumstances in the past where

1 Intervenor's have provided written evidence, answered  
2 Information Requests, and then not been available to  
3 be cross-examined. So there's a bit of a challenge  
4 there from our client's perspective that I'm going to  
5 spend a -- a couple minutes on.

6 I do just want to highlight, from our  
7 client's perspective, this is the evidence that we  
8 understand is before -- is before the Board or will  
9 before -- be before the Board. There is the  
10 Coalition's expert evidence, the Consumer panel on  
11 Thursday, and of course the thoughtful submissions of  
12 the CPLA and of C1 -- C11, excuse me.

13 Our rules of procedure set out a -- a  
14 general approach for the reception of evidence. And I  
15 simply draw to the Board's attention Rule 17(5) that  
16 sets out a process generally that:

17 "Written evidence may be received in  
18 this with the same force and effect  
19 as all evidence if the witness is  
20 there to testify to her  
21 qualifications, confirm the material  
22 was prepared under their direction  
23 and control, and submit to cross-  
24 examination."

25 Now not -- that is not the only way for

1 the Board to receive evidence, but that is the -- the  
2 standard way and it's a standard way for good reason.  
3 That's how the Board gets the opportunity to test the  
4 credibility of the witness in person through cross-  
5 examination.

6           It gets to determine the scope of the  
7 qualifications of the witness. It's an important  
8 process and it's a process that the Coalition has  
9 followed with its expert witnesses in this hearing.

10           In the next five (5) slides I'm going  
11 to talk a little bit about the different type of  
12 evidence that the Board will be receiving in this  
13 hearing, as well as the different type of information,  
14 and just some nuances in -- in weighing that  
15 information that I think is important.

16           And I apologize if it sounds unduly  
17 legalistic, unduly technical, but from our client's  
18 perspective, this is a central element of this  
19 hearing. How are you going to weigh this evidence  
20 presented in very different ways, with very different  
21 levels of rigour attached to it?

22           There's the approach that some Board  
23 members will be particularly familiar with, oral  
24 opinion evidence by qualified experts, along with the  
25 written evidence by qualified experts. And that's

1 clearly the intent of Rule 17 on the preceding page.

2                   Generally that's based upon a pre-filed  
3 expert report and with the rule that that report can  
4 be accepted with the same weight if it -- if the  
5 witness is available for cross-examination. It is  
6 tested by Information Requests. And the  
7 qualifications of that witness and the scope of their  
8 qualifications can be confirmed by the Board in voir  
9 dire.

10                   And the Board can say, We think you're  
11 qualified over the whole range, or it can constrain  
12 it. And the independence of that witness can be  
13 tested as well. And fundamentally, it can be tested  
14 by cross-examination.

15                   And if we are fortunate enough to  
16 persuade you this afternoon that our witnesses are  
17 qualified, that's how we are presenting -- we're  
18 pretty confident they are. That's how we're  
19 presenting our evidence in this hearing, with the  
20 highest rigour consistent with the well established  
21 PUB practices.

22                   There's another type of evidence that  
23 our clients will be presenting. It's not expert  
24 evidence except for as so much as we are all experts  
25 in our own lives. It is oral, lived experience

1 evidence by payday loan borrowers. Unlike our expert  
2 witnesses, there'll be no pre-filed expert report. It  
3 won't be tested by Information Requests. We've  
4 provided very brief can-says of what the witnesses  
5 might say.

6                   So these are not experts in the  
7 traditional sense, but they have a lived experience  
8 that is very powerful and very insightful. It offers  
9 insight into their personal choices and the  
10 consequences of those choices. But, of course, care  
11 must be taken in extrapolating from their experience  
12 and their opinions beyond their personal situation.

13                   And that's the caution that I offer  
14 when we present that evidence; it's important. It's  
15 critically important, from our client's perspective,  
16 but there are -- are limits to how we can extrapolate  
17 from lived experience. It can be tested by cross-  
18 examination. And you can make your judgments in terms  
19 of the credibility and the bias, if any, of those  
20 witnesses. And those are the witnesses that we intend  
21 to present on Thursday.

22                   Another type of evidence you will hear  
23 here is written evidence by an alleged expert but not  
24 presented for cross-examination. And that --  
25 obviously, they'll -- that will be based on pre-filed

1 reports filed by that expert.

2                   We won't be able to test the  
3 qualifications of those witnesses through a voir dire.  
4 It doesn't mean that those witnesses aren't qualified.  
5 But if there should be limitations on their expertise,  
6 that option is not open to us to examine.

7                   And fundamentally, these witnesses are  
8 not being made available to be tested by cross-  
9 examination as a mechanism to challenge their  
10 accuracy, credibility or bias. We did have one (1)  
11 round of Information Request, but there's no mechanism  
12 for counsel for the Coalition to follow up on the  
13 answers through cross-examination. We've called it  
14 effective immunity from followup.

15                   And you'll see evidence like that on  
16 the record from Deloitte, their Alberta study, as well  
17 as a 2013 study from Environics, both presented by the  
18 CPLA. It doesn't mean that that information doesn't  
19 offer insight. But it does mean that it hasn't been  
20 subjected to the same type of rigour and the  
21 qualifications haven't been subjected to the same  
22 standard.

23                   We will be bringing that to your  
24 attention in closing argument. We're not objecting to  
25 it being on the record; it's important information for

1 the Board to have that perspective. We just want to  
2 highlight that the opportunity to test it rigorously  
3 is not available in the same way that our clients are  
4 being made avail -- our witnesses are being made  
5 available to be rigorously tested.

6 We also have very valuable evidence in  
7 this -- in this hearing from C11, and I've described  
8 this as written evidence by a firm. It's based on a  
9 pre-filed report filed by that firm. And clearly  
10 they're experts in their own business. They have  
11 insight from the particular experience of their  
12 particular firm.

13 But again, care must be taken in  
14 extrapolating to the broader industry. And I think  
15 C11 has been very candid about that in -- in their  
16 Information responses. Again -- and we do not  
17 criticize C11 for this, but we just simply note that  
18 that Information -- that witness is not being made  
19 available for cross-examination either and there is  
20 only one (1) round of Information Requests.

21 And finally, we have today  
22 presentations. And our -- as the Board will be aware,  
23 our client believes very strongly in the importance of  
24 presentations for this process. They provide insight  
25 into the opinions of Manitobans. They may raise

1 questions for further research.

2                   But our clients do wish to underscore  
3 that presentations are not evidence and they cannot be  
4 used for evidentiary findings. They're not being  
5 presented under oath or affir -- affirmation. There  
6 was no pre-filed material, except for we received some  
7 information yesterday.

8                   There is no ability to ask Information  
9 Requests. There's no ability to hold a voir dire into  
10 the qualifications or bias of the witness and no  
11 opportunity to cross-examine. It doesn't mean that  
12 it's not valuable, it's just not evidence.

13                   And with that in mind, we do want to  
14 speak to our -- our guest today from Policis. And we  
15 certainly are pleased to see Policis here. Our client  
16 would have loved the opportunity to have filed  
17 evidence by an organization such as Policis. We would  
18 have looked forward to the opportunity to rigorously  
19 challenge it through cross-examination.

20                   But that's not what we have. We have a  
21 PowerPoint presentation, no pre-filed evidence, no  
22 Information Requests, not subject to a voir dire, not  
23 subject to cross-examination. And our client will be  
24 seeking confirmation from the Public Utilities Board  
25 in its closing submissions that Policis is here as a



1 presenter. It is not providing evidence.

2                   A final important theme before I get to  
3 our client's position is a question of research versus  
4 lobbying. A lot of this hearing and your ultimate  
5 determinations will depend upon your judgment of the  
6 rigour and credibility of the information presented to  
7 you. Are you being presented with research, or is  
8 this a lobbying activity?

9                   And in addressing that question, our  
10 clients have identified four (4) or five (5) issues  
11 which we would advise to you to look at in weighing  
12 the evidence. Has there been an open examination of  
13 core issues, or are there questions that dare not be  
14 asked? Are you actually being presented simply with  
15 assertions, or is there evidence to support those  
16 assertions?

17                   Are the calculations conclusions and  
18 sources transparent, or are they not readily  
19 available? Has there been a wide-ranging examination  
20 of the issues? Is it robust, or does it appear to be  
21 results driven? And what can we say about the  
22 credibility of past research?

23                   And we certainly think its notable that  
24 Deloitte, which is not here to be cross-examined,  
25 presented evidence in -- in the 2007/'08 hearing

1 estimating an average cost for -- for loans of twenty-  
2 six dollars and eighty-seven cents (\$26.87), and  
3 certainly I was looking forward to that opportunity to  
4 -- to test them on -- on their past -- past evidence,  
5 and it's unfortunate that they are not here.

6                   Our client trusts and -- and expects,  
7 and -- and hopes and asserts that the evidence that it  
8 brings before you will be judged to be research  
9 focused. We've got an incredible interdisciplinary  
10 team from economics, finance, and qualitative  
11 research. It uses mixed methods, both quantitative  
12 and qualitative.

13                   And it uses triangulation, that concept  
14 that getting information from one source may allow a  
15 hypothesis but it's not enough for a confirmation.  
16 Getting it from a second source may be some partial  
17 confirmation, but you should be looking to reinforce  
18 that information from multiple sources.

19                   And you'll see that our consumer  
20 surveys, the national level ones, are quantitative,  
21 the Provincial ones are qualitative, and there's a  
22 mutual reinforcing that we think is quite helpful  
23 especially when reinforced from data from British  
24 Columbia and Nova Scotia.

25                   We think that's a real strength of the

1 evidence that you'll hear from our -- our experts.  
2 And we also note that if you want to take issue or to  
3 test the financial model that the Coalition has  
4 presented, Dr. Robinson has kindly made his Excel  
5 sheets available so that different hypotheses can be  
6 put through them.

7                   In presenting its evidence, the  
8 Coalition asked five (5) core questions. What does  
9 the lived experience of Manitobans tell us? Where are  
10 the consumer dynamics? What is the reality in the  
11 marketplace? What are the industry dynamics? What  
12 are the implications of regulation? And what are the  
13 ultimate implications for the two (2) central  
14 questions before this Board; the cost per hundred  
15 dollar (\$100) loan, and the maximum amount of income  
16 to be borrowed against?

17                   And this is what in -- at a high level  
18 our experts concluded. That the population of borrowers  
19 -- borrowers is disproportionately vulnerable compared  
20 to the non-borrower population, and that the issue of  
21 financial exclusion and Payday Loans is really part of  
22 a broader dialogue about inequality. One (1) service  
23 available to the poor while a better and less  
24 expensive service is available to others. There's a  
25 deep dynamic underlying this issue.

1                   Our clients also found -- our -- our  
2 experts also found to a significant degree -- degree  
3 payday loan borrowers are those who have been rejected  
4 by the mainstream banking industry. And they have  
5 been welcomed by the payday loan lending industry,  
6 non-judgmental, convenient service. So a very strong  
7 strength of the payday lending industry.

8                   And here you have a consul -- a quote  
9 from one (1) of the -- our consumer panellists, not  
10 the one appearing this week, but from our interviews,  
11 talk about how flexible the hours are.

12                   The twenty-four (24) hour one is pretty  
13 awesome if you're coming from out of town and you want  
14 to do something, saying that they're all over, all  
15 over Winnipeg. Like there's just one behind here.  
16 Actually, there's two (2) in the area. There's that  
17 convenience and flexibility that is a tremendous  
18 strength of the payday lending industry.

19                   Our experts conclude that there is  
20 evidence of harm to some consumers, especially those  
21 using repeat loans. And that's a quote from Dr.  
22 Buckland and Dr. Henderson. Repeat borrowing is  
23 harming vulnerable consumers.

24                   And also to no one's surprise, the  
25 loans -- these loans are expensive. And as one (1) of

1 the consumers indicated, we're paying high -- higher  
2 interest because we're poor.

3                   In terms of industry dynamics, our  
4 experts conclude that volume is critical, that there  
5 is an industry reliance on repeat borrowers, and that  
6 the -- on the cost side, the two (2) key  
7 considerations are operating costs and bad debt costs,  
8 and that there are opportunities for efficiencies and  
9 scale, scope, and risk management.

10                   They also conclude that this is not a  
11 well-functioning marketplace. Consumers tend to have  
12 -- borrowers tend to have lower wealth and income,  
13 fewer mainstream choices, and not all but  
14 disproportionately in some -- insufficient income to  
15 meet their needs.

16                   There are also real challenges in  
17 understanding the product -- and you'll see that in  
18 both of our focus groups -- and an issue of tunnelling  
19 and bounded rationality. Low-income consumers are  
20 just as rational as is any other consumer, but there  
21 is incredible pressure to focus on the short term,  
22 often against your long-term financial interests.

23                   You'll also see in terms of the  
24 marketplace that rates tend to follow regulation. And  
25 Dr. Robinson will have some evidence on that this

1 afternoon, how setting the rate at twenty-one dollars  
2 (\$21) per hundred in Ontario actually you saw payday  
3 lenders moving upwards towards that rate.

4                   And certainly that the industry is  
5 dominated by a few players with economies of scale and  
6 scope. And there you have the candid admission by the  
7 Dollar Financial Group back in 2013 that its network  
8 in Canada is the largest of its kind of revenue.

9                   In terms of the marketplace and  
10 regulation on the marketplace, you'll hear from our  
11 experts that there are three (3) general typologies of  
12 regulatory environments: restrictive ones -- Quebec is  
13 a Canadian example, North Carolina would be an  
14 American example; hybrid, which is -- jurisdictions  
15 like Manitoba would fit within that; and permissive,  
16 and there's some American examples. Missouri comes to  
17 mind.

18                   And there is evidence of a sustainable  
19 payday lending industry in US jurisdictions with rates  
20 in the range of fifteen dollars (\$15) per -- per one  
21 hundred (100).

22                   You'll also hear from our experts at --  
23 based upon the real ground-breaking research from PEW,  
24 P-E-W, that reliance on internet payday lenders is not  
25 prevalent in the hybrid US regulatory environments

1 versus the permissive US regulatory environments. And  
2 you'll see a table in Dr. Buckland's evidence this  
3 afternoon to that point.

4                   You'll also see in Dr. Robinson's  
5 evidence very handsome operating margins for Dollar  
6 Financial Group in Canada as compared to the United  
7 Kingdom and -- and the United States.

8                   So what do our experts conclude? They  
9 conclude that a rate of fifteen dollars (\$15) per  
10 hundred provides the right balance between access,  
11 protection, and sustainability.

12                   They do not support lowering the  
13 maximum amount which can be borrowed against from 30  
14 percent to 25 percent. They do think that the concept  
15 of instalment loans -- and there's some interesting  
16 examples, one from Washington state -- pay provide  
17 better consumer protection. And in the words of one  
18 (1) of the consumers in our focus groups, there'd be a  
19 light at the end of the tunnel.

20                   Our client's have four (4) questions  
21 for the CPLA as we begin our deliberations in this  
22 hearing. The most important goes to repeat borrowing.  
23 We know it's important to -- to the industry and it's  
24 also -- there's a risk of harm to consumers. And our  
25 clients are looking for research by the CPLA on the

1 use and implications of repeat loans.

2 Our clients call that the question that  
3 dare not be asked. Our clients also note that there's  
4 always regulatory pressures on all participants in  
5 these hearings. The CPLA has to juggle obligations  
6 across Canada. But our client, we have to admit, was  
7 caught a little off guard back in 2013 with the pace  
8 of the hearing.

9 There was one (1) in '07/'08,  
10 deliberations, all of sudden you're in 2013. Our  
11 client learned its lesson and vowed never to be  
12 surprised again by a -- an -- a three (3) year regular  
13 rate review.

14 Given that three (3) year cycle of  
15 regulatory review, where is the Manitoba industry  
16 evidence? Where is the Deloitte evidence for Manitoba  
17 which we last saw in '07/'08, and which was so  
18 questionable?

19 Our clients also note that they did  
20 seek disclosure from the industry and offered to  
21 undertake confidentiality agreements. What's the  
22 reluctance to operate under those models? Is that an  
23 opportunity that we can take in the future to get  
24 better information before the regulator and before the  
25 ultimate decision-maker in the province?



1                   And where's Deloitte? Where's Deloitte  
2 in terms of defending its 2016 Alberta report? Those  
3 are our questions for the CPLA. From the Consumer  
4 perspective, the rate setting process with advice to  
5 the Public Utilities Board has been a tremendous  
6 success.

7                   It's evidence based. It's public. It  
8 provides enhanced consumer protection while incenting  
9 efficiency. Our clients consider that a Manitoba  
10 success story. They look forward to the deliberations  
11 in this hearing to confirm its success and to outline  
12 this as a path to take in future deliberations as  
13 well.

14                   Our panel -- our clients thank you for  
15 the time you've taken. I forgot to advise you that  
16 they will be coming in off and on during the first two  
17 (2) days of the hearing and then you'll see Ms.  
18 Desorcy, Mr. Moland (phonetic), and Mr. Bonhomme  
19 (phonetic) out in full force to hear our Consumer  
20 panel on Thursday.

21                   Thank you for your time.

22                   THE PANEL CHAIRPERSON: Thank you, Mr.  
23 Williams.

24

25

(BRIEF PAUSE)

1 THE PANEL CHAIRPERSON: For  
2 clarification, Mr. Gosselin has a -- a couple of  
3 questions for you, Mr. Williams.

4 MR. BYRON WILLIAMS: I always try to  
5 escape questions from Mr. Gosselin, but you've caught  
6 me again, sir.

7 MR. REGIS GOSSELIN: I guess the issue  
8 that I'm a little bit concerned about is with respect  
9 to online lending. Here we have a dearth of  
10 information. You know, there is no information that  
11 we can examine and address, I guess, as part of our  
12 recommendations.

13 And, you know, it's obviously a concern  
14 of your -- of your Coalition and it's also, I know, a  
15 concern of the CPLA, because they're following your  
16 rule. So you -- I -- I looked at some of the  
17 recommendations you made as part of your submissions  
18 and to some extent you didn't address that.

19 And I -- I'm wondering do you plan on  
20 doing that before your closing arguments?

21 MR. BYRON WILLIAMS: Yes, and thank  
22 you for your question. And there is a difference,  
23 obviously, between the recommendations of our experts  
24 and as -- as you'll see today, I presented the  
25 recommendations of our experts.

1                   And as the Board will be aware, the  
2 ultimate recommendations taken by our client may be  
3 enhanced, may be different from those of -- of the --  
4 of our experts. So we -- I can -- I can tell you that  
5 our tentative instructions from our clients do have a  
6 longer list than that. So we certainly will -- will  
7 be mindful of the Board's guidance.

8                   And that's something that has been of  
9 concern to our client. I'll just say, and you'll hear  
10 from Ms. St. Aubin this afternoon, that we made a --  
11 we tried really hard to get insight into the internet  
12 payday lending industry through our consumer surveys,  
13 and -- and launched them online, as well. And I think  
14 out of the hundred and thirty (130) you'll see an  
15 overwhelming total of seven (7) that were identified  
16 there.

17                   And you'll see, I think, a very  
18 thoughtful discussion in Dr. Buckland's literature  
19 review as well as in the PEW research that is found in  
20 the appendices. And PEW obviously did this  
21 groundbreaking work across the United States.

22                   So I want to ensure the panel we didn't  
23 neglect it. Our -- our experts, we were mindful to  
24 focus them on the -- the rate implications and the --  
25 the issues raised by the Board. So our client is open

1 -- will be making some recommendations on the  
2 internet, as well, sir.

3 MR. REGIS GOSSELIN: I guess the other  
4 comment I would make, and -- and maybe you can clarify  
5 it for me because you are -- I think you are using the  
6 word 'expert' in relation to the consumers that we're  
7 going to be -- that were interviewed and -- have I --  
8 have I missed --

9 MR. BYRON WILLIAMS: Yeah. And if I  
10 did that, I apologize. And I -- that was one (1) of  
11 the distinctions I was trying to make. An expert  
12 opinion is someone who's gone through a voir dire,  
13 who's been qualified. The word that the social  
14 sciences folks, and I'm not one (1) of them, tell me  
15 to use is 'lived experience'.

16 So I would say -- and perhaps if I  
17 misspoke, they -- they are expert in their own lives,  
18 but it's not -- that's why we put in the caveat that  
19 you -- you have to use caution in extrapolating beyond  
20 their personal experience. And -- and if I misspoke,  
21 Mr. Chair, I'm -- I'm sorry.

22 MR. REGIS GOSSELIN: No, I think -- I  
23 think where the confusion came, in my mind, is, you  
24 know, I understand why you would use the word 'expert'  
25 because of your -- like -- like experience. But the -

1 - where the confusion comes in my mind is trying to  
2 bridge what a professional expert --

3 MR. BYRON WILLIAMS: Yes.

4 MR. REGIS GOSSELIN: -- I'll just call  
5 it professional expert, recommended to you in their  
6 reports versus what you came forward with as ultimate  
7 recommendations from your Coalition because there is a  
8 dichotomy between -- in my mind, between what the  
9 lived experience is -- is -- has told you through  
10 panels and interviews versus what your professional  
11 experts are recommended.

12 And I'm wondering -- let me give you an  
13 example. I mean, the -- what clearly came to me when  
14 we were talking, when you did interviews with people  
15 on the street, people would use the -- use the service  
16 with respect to installment loans. And I -- I got the  
17 clear sense from those interviews that there wasn't  
18 much support for installment loans by the lived --  
19 lived experts as opposed to your experts coming in and  
20 saying, well, it should be fifteen dollars (\$15), it  
21 would be -- it should be installment loan.

22 And so how do you bridge that gap when  
23 your own -- the people that you're trying to support  
24 live -- the people that lived the experience are  
25 saying, No, don't go that direction, and you're coming

1 in with a -- with an expert saying you should -- you  
2 should use the installment loan?

3 I'm trying -- I'm trying to --

4 MR. BYRON WILLIAMS: Those are --  
5 those are -- thank you. So, first of all, I'll take a  
6 slight issue with your characterization of the  
7 response to installment loans. I'll concede fully  
8 that there were some who just didn't see it as an  
9 option. But that quote about light at the end of the  
10 tunnel is -- is one (1) of the consumers who really  
11 saw that as a mechanism.

12 And I think you'll hear from Dr.  
13 Robinson that that should only be an options rather  
14 than forced on consumers. And -- and that -- that is  
15 a point that I think is important. But I -- I really  
16 appreciate the question. We ultimately take our  
17 instructions from clients who answer to a board.

18 So our instructions come from the  
19 Consumers' Association, Winnipeg Harvest and CFCS.  
20 And, as you're aware, they have a state of -- for the  
21 Consumers' Association, a number of principals.

22 They take guidance from the Board and  
23 they get input from wherever they -- they can. They  
24 will get ec -- input from their experts. They will  
25 get input -- input from the focus groups. They will

1 get input from the presentations that we -- that we  
2 hear today. And they certainly -- we have shared with  
3 them the insight from C11 and the CPLA.

4                   So the -- our clients are -- our  
5 instructions come from them. And they have multiple  
6 sources of -- of input. And I'll just say that I -- I  
7 think the strength of our team approach is we have  
8 tried to present you with a diversity of -- of views.  
9 Those focus groups, there's perspectives all over the  
10 place. That was not outcome driven. That was not  
11 results driven. That is important consumer input from  
12 a variety of perspectives and I really that's the  
13 strength of our team, although it leads to some  
14 uncomfortable questions from time to time.

15                   Does that help in terms of the  
16 instructions? Maybe not enough?

17                   MR. REGIS GOSSELIN: Yes, it did.  
18 Yes, it did.

19                   MR. BYRON WILLIAMS: Okay.

20                   MR. REGIS GOSSELIN: It did. I'm just  
21 trying to -- I'm want -- wanting to ask a number of  
22 other questions, but I think maybe I should wait till  
23 -- till we hear the closing arguments. It might be a  
24 more --

25                   MR. BYRON WILLIAMS: Okay. And I'll -

1 - I'll just indicate, apart from what you see on the  
2 record, the clients will have held two (2) other focus  
3 groups. Those are run by our clients, in particular  
4 by CAC (Manitoba), they're for the purposes of  
5 assisting them with their instructions, so there --  
6 that is the other input that I didn't mention before  
7 that I -- that I should have.

8                   So you'll get what -- on the public  
9 record, we do get input from consumers with a more  
10 targeted kind of series of -- of questions.

11                   THE PANEL CHAIRPERSON:    Thank you, Mr.  
12 Williams. Now, I'm going to call upon the Canadian  
13 Payday Loan Association to give their opening remarks,  
14 and I'll refer it to the Honourable Stan Keyes.

15

16 OPENING COMMENTS BY CANADIAN PAYDAY LOANS ASSOCIATION:

17                   MR. STAN KEYES:    Thank you very much,  
18 Chair Botting, President Gosselin, members of the  
19 Board, Board counsel. Ms. McCandless, thank you so  
20 much for your efficient assistance in getting back to  
21 me so quickly with so many answers to so many  
22 questions during -- during this process. Fellow  
23 Intervenors, presenters, ladies and gentlemen. Thank  
24 you, Board, for the opportunity to appear before you  
25 today.



1                   A little bit of history. The Canadian  
2 Payday Loan Association was formed in early 2004 by  
3 responsible financial service companies who offer the  
4 payday loan product. Because the payday loan product  
5 was unregulated at that time, members of the CPLA  
6 recognized that it was important to create and adhere  
7 to industry standards of best business practices to  
8 protect consumers, and protect the reputation of the  
9 industry.

10                   It was also important to have a voice  
11 that could represent the industry and the interests of  
12 the industry, and inform stakeholders, governments,  
13 regulators, on all aspects of the product -- product,  
14 and the industry.

15                   Today, the CPLA has nineteen (19)  
16 member companies that hold licences for approximately  
17 nine hundred and forty (940) stores, and online  
18 lending platforms across Canada. This represents 67  
19 percent of the industry in Canada. Here in Manitoba,  
20 the CPLA has six (6) member companies holding a total  
21 of thirty (30) licences to provide loans through  
22 outlets and over the internet.

23                   As the Board is aware, the CPLA was a  
24 Intervenor and made extensive submissions in the 2007  
25 hearings that set maximum fees for payday loans here

1 in the Province of Alber -- in Manitoba, and the  
2 subsequent review of regulations that took place in  
3 2013.

4                   The payday loan product is an important  
5 source of credit for a wide range of Canadians. To be  
6 clear, the CPLA and all its members believe in a  
7 regulated industry that provides significant consumer  
8 protection while allowing for a viable, competitive  
9 industry.

10                   We acknowledge that consumer protection  
11 is the goal of regulation, but there must be balance  
12 that ensures that the customer is not harmed by  
13 unintended consequences through over-regulation. The  
14 fact is, this is an industry that services an  
15 important need for people who need immediate financial  
16 assistance, and a correct balance between financial  
17 viability of licensed lenders and consumer protection  
18 is so very important.

19                   The payday loan product is now  
20 regulated provincially in the provinces of British  
21 Columbia, Alberta, Saskatchewan, here in Manitoba,  
22 Ontario, PEI, Nova Scotia, and in the Province of New  
23 Brunswick, they have passed their Payday Loan Act and  
24 are currently working on payday loan regulation.

25                   Manitoba has the lowest maximum fee in

1 Canada at seventeen dollars (\$17) per hundred, the  
2 lowest maximum loan amount at 30 percent of net pay,  
3 the highest annual licensing fees. And Manitoba is  
4 the only Province to have a seven (7) day cooling off  
5 period between loans.

6                   Now, the regulation does say that a  
7 lender may make a subsequent loan within seven (7)  
8 days of paying off the first loan, but no lender can  
9 do this on a financially viable basis, so to our  
10 knowledge, no lender does this.

11                   To summarize, it is far more difficult  
12 -- far more difficult for licensed lenders to operate  
13 here in Manitoba in comparison to any of the other  
14 provinces where we have regulations and legislation in  
15 Canada.

16                   The CPLA is proud to say that it worked  
17 closely with each one of the eight (8) provinces as  
18 they developed regulations for the industry. Our goal  
19 is to advocate for the right balance between adequate  
20 consumer protection and an economically viable and  
21 competitive industry for our members.

22                   We continue to work with governments,  
23 stakeholders, regulators in each province to inform  
24 them on the impact of regulations to consumers and the  
25 companies who serve them.

1                   We also put forward reg --  
2 recommendations on regulation for practical --  
3 practical consumer protection. For example, in the  
4 provinces of Alberta and Ontario we recently brought  
5 forward important suggestions, and they've been marked  
6 as CPLA Exhibit number 12.

7                   And I will read briefly these seven (7)  
8 suggested initiatives of the CPLA to the provinces of  
9 Alberta and Ontario:

10                   "Number 1. An optional extended  
11 payment plan.

12                   Number 2. Restrictions on discounts  
13 and promotions of first-time loans.

14                   3. Standard-form contract;

15                   4. A job-loss extension program;

16                   5. Restriction on default fees and  
17 interest charged on loans in  
18 default;

19                   6. Mandatory acceptance of  
20 settlement plans proposed by credit  
21 counsellors; and

22                   7. Mandatory referral to credit  
23 counselling services."

24                   Exhibit 12 explains each one of those  
25 seven (7) suggested initiatives in greater detail.

1 And of course, we're open to questions on any one of  
2 them.

3                   CPLA member companies work closely with  
4 not-for-profit credit counselling agencies. That's  
5 the not-for-profit credit counselling agencies across  
6 Canada. We're committed to providing credit  
7 counselling references, links to Credit Counselling  
8 Canada and the Canadian Association of Credit  
9 Counselling Services. And their many, many member  
10 agencies can be found on the CPLA website along with a  
11 credit counselling brochure, which CPLA members  
12 download and print for distribution to their store  
13 customers.

14                   Members of the Board, the payday loan  
15 industry first emerged in Canada in the mid-1990s in  
16 response to an unfulfilled consumer demand for small-  
17 sum, short-term credit. These types of small-sum,  
18 unsecured loans are unavailable through banks or other  
19 conventional financial institutions.

20                   When the initial hearings were held in  
21 2008, these were the first hearings in Canada. And it  
22 was the intention of the CPLA to participate fully and  
23 provide as much evidence as possible.

24                   Full participation in that hearing was  
25 very expensive and severely strained the resources of

1 the CPLA. While the Coalition was compensated for  
2 their costs of research in the initial hearing, the  
3 CPLA was not.

4                   The amount of resources the CPLA has to  
5 devote to this hearing are limited. In the present  
6 hearing, the Coalition applied for and received  
7 funding to commission expert studies. The CPLA did  
8 not receive funding and does not have the resources to  
9 undertake all these costly studies. The CPLA is not a  
10 public utility.

11                   Based on our limited resources that we  
12 have put forward, what information we can, we hope the  
13 Board will find useful as our pre-filed evidence,  
14 which is comprised of a graph, tracking the number of  
15 payday loan outlets from 2009 to 2016.

16                   Upon implementation of regulation, more  
17 than half the payday loan store locations in this  
18 province closed. Since -- there has been no growth in  
19 the number of outlets since that date.

20                   There's the consumer survey of  
21 borrowers in Manitoba conducted by Environics in 2013,  
22 which we filed with the Board in the previous hearing.  
23 We provided a survey of payday loan regulations in  
24 other provinces. We printed off a sample of  
25 screenshots of websites of unlicensed lenders offering

1 payday loans right here in Manitoba.

2                   We provided a study commissioned by the  
3 Consumers' Council of Canada on consumer experiences  
4 in online payday loans. You have the summary of the  
5 2015 survey on the cost of providing payday loans in  
6 Alberta prepared by Deloitte.

7                   And CPLA has rep -- provided a report  
8 prepared by Grant Thornton on analysis of how much  
9 borrowers choose to borrow. Preparation of the  
10 Deloitte report was underway at the point when we were  
11 advised that the CPLA would be an Intervenor and was  
12 completely -- completed shortly before the date for  
13 filing evidence.

14                   It was prepared for a different  
15 purpose, being provision of cost information to the  
16 Alberta government. And we do not have the author  
17 here to present the report as an expert and we accept  
18 that Board -- the Board will decide whether the report  
19 is useful or not.

20                   It was not possible to immediately --  
21 to do immediately a study similar for Manitoba because  
22 of cost, time, and the fact that one (1) of our  
23 members, in fact, is the dominant operator here in  
24 Manitoba, and it would -- would be basically a  
25 disclosure of their proprietary financial information.

1                   The methodology of the report is  
2 substantially the same as the report that was  
3 conducted for the Ontario government in 2014 that was  
4 filed by the Coalition in their interrogatory.

5                   Ladies and gentlemen, if regulations  
6 are too onerous and maximum rates too low, then good,  
7 credible lenders leave, or reduce their participation  
8 in the market. When payday loan access is restricted  
9 or removed, credit is provided through other  
10 unregulated means, including offshore, unlicensed,  
11 unregulated internet lenders and companies offer other  
12 short-term loan products that can be definitely more  
13 costly and not covered under payday lending  
14 regulations.

15                   The CPLA has provided the Board with a  
16 2016 sample of web pages of internet lenders who offer  
17 to provide payday loans here in Alberta -- in  
18 Manitoba, excuse me, that are not licensed in  
19 Manitoba.

20                   In most cases, neither the address nor  
21 the jurisdiction in which the lender operates is  
22 disclosed. The provincial license number is a fake,  
23 and some even use the CPLA member logo on their first  
24 page. Good luck trying to track them down to have  
25 that removed. Our experience, these sites are



1 constantly changing and one can expect that a search a  
2 month from now will garner a very different list of  
3 sites.

4                   The borrower has no idea where the  
5 lender is from. The PEW report filed by the Coalition  
6 outlines risks consumers face when borrowing from  
7 unlicensed lenders. These include loan fees in excess  
8 of licensed rates, automatic rollover of loans. They  
9 charge excessive default fees. They do not respect  
10 regulations regarding collections. They make  
11 unauthorized debits to borrowers' bank accounts. They  
12 force the borrowers, if you can imagine this, to  
13 provide their banking login and password, and the  
14 answer to even the secret question to attain -- obtain  
15 the loan approval.

16                   The issue of illegal lending is not a  
17 theoretical argument, but it's what is happening today  
18 in jurisdictions that have regulation that restricts  
19 or prohibits the payday loan industry. If an illegal  
20 licence lender tries, grows, fills the vacuum -- if an  
21 illegal unlicensed industry grows to fill this vacuum,  
22 that will result in harm to the very consumers the  
23 regulations seek to protect.

24                   The Board has been directed to consider  
25 the impacts of lowering the maximum rate from

1 seventeen (17) to fifteen dollars (\$15) and to  
2 maintain the amount of the loan from 30 percent to 25  
3 percent of net pay. Our members tell us that today,  
4 here in Manitoba, their operations are barely viable.

5 Any further reduction in maximum rate  
6 cap or loan cap -- cap will result in store closures.  
7 And more importantly, a denial of access to credit for  
8 borrowers from licensed lenders.

9 Ladies and gentlemen, the CPLA  
10 appreciates the opportunity to par -- participate as  
11 an Intervenor in this review and to provide written  
12 submissions on behalf of our CPLA members. Thank you  
13 very much.

14

15 (BRIEF PAUSE)

16

17 MR. REGIS GOSSELIN: Thank you, Mr.  
18 Keyes, for the comments, I appreciate them. I have a  
19 question.

20 Could you clarify for me the -- the  
21 comment you made about the seven (7) day rule, you  
22 know, the -- the seven (7) day rule and if you -- you  
23 can pay it earlier? Could you -- could you clarify  
24 that -- that point for me?

25 MR. STAN KEYES: The specific

1 percentage, I think it's five (5), isn't it? So if --  
2 if someone takes out a loan, they cannot take out  
3 another loan for a seven (7) day period. And if they  
4 choose to take out for another seven (7) day period,  
5 the regulation states that they can do so, but at a  
6 very reduced rate. I think it's 5 percent. It falls  
7 from the seventeen dollars (\$17) on a hundred to 5  
8 percent. And there isn't a single company that can  
9 offer that product at that price that we're aware of.  
10 There might be, but we're not aware of it.

11 MR. REGIS GOSSELIN: Thank you for  
12 that. Now, the submission you made, the CPLA Exhibit  
13 number 12, that you put seven (7) suggested  
14 initiatives.

15 MR. STAN KEYES: Yes, sir.

16 MR. REGIS GOSSELIN: Would you  
17 consider them to be something we should consider in  
18 Manitoba, those seven (7) suggested initiatives? I  
19 mean, I realize you -- you submitted this for another  
20 process --

21 MR. STAN KEYES: M-hm --

22 MR. REGIS GOSSELIN: -- another  
23 review. Can we draw the conclusion that those seven  
24 (7) suggested initiatives we should consider as part  
25 of our ultimate report?

1                   MR. STAN KEYES:   Absolutely, Chairman  
2 Gosselin.  When I mentioned in my remarks a practical  
3 solution to regulating the product, to protecting the  
4 consumers we're trying to protect, give them things  
5 that can actually help to reduce the rate to such a  
6 level that it closes payday loan stores and shrinks  
7 the industry to the point where consumers now move to  
8 the online sector.

9                   And if they move online, as the  
10 Consumer Report of Canada reports, they are most  
11 likely to land on an unlicensed, unregulated online  
12 site, which is not good for the consumer.  So the  
13 practical solutions is to identify exactly what it is  
14 the consumer is looking for in order to be better  
15 protected, and that is things like a job loss  
16 extension program.

17                   If they lose their job after they take  
18 out their loan, then if there's an extension program  
19 that says you can take a longer period of time now to  
20 repay that loan without charge in order to accommodate  
21 the repayment of that loan while you're unemployed,  
22 these are practical solutions.

23                   MR. REGIS GOSSELIN:   Okay,  I -- I --  
24 you know, I -- I share your -- I share your concern  
25 around online lenders.  I mean, I -- I think we all

1 do, you know, because I think that we're looking for  
2 responsible participants in this industry. And so I  
3 certainly -- I'm talking about unlicensed online  
4 lenders, yet we're not getting much recommendations.

5                   Or in -- in the material that I've seen  
6 so far, we're not getting very many recommendations  
7 about measures that could be implemented by Manitoba  
8 to address this problem. And -- and I -- and I guess  
9 the question I'm asking is: Will you be addressing  
10 that as part of your closing comments, or do -- do you  
11 have information about what's being done in other  
12 jurisdictions to regulate the -- the presence of these  
13 unlicensed, unregulated online lenders?

14                   MR. STAN KEYES: I will certainly take  
15 that back to our team and try to contribute as much as  
16 we can, as much as we know about the online industry  
17 and how we -- it operates in Canada. It's -- it's as  
18 frustrating for us as it is for you.

19                   When my assistant stated in mid-January  
20 to take the screenshots because we see them all the  
21 time, to take the actual screenshots and -- and put a  
22 pile of seventy-five (75) on the table within a --  
23 within a month and a half, to see, you know, sites  
24 coming from different countries, China, for example,  
25 where the English is -- you -- you can't even

1 understand the -- the site half the time, but people  
2 still go there and borrow money because sometimes, for  
3 whatever reason, whatever jurisdiction they're in,  
4 that they don't have the opportunity for a payday  
5 loan. They have to go somewhere.

6                   It's a demand that's there. The demand  
7 will not dry up if suddenly there are no licensed  
8 regulated locations for people to get a loan from.

9                   So most definitely we -- we will -- I'm  
10 -- I'm looking -- right now, we're at the point, I  
11 think, in our -- in our investigation is to see from  
12 other jurisdictions what the issue of online --  
13 illegal online lending is, what its impacts have been,  
14 so that we can continue down that line and say, Okay,  
15 now that we know what the problem is, how are we going  
16 to address this problem?

17                   So I think we take that first step. We  
18 learn. We take our time. We ensure that we fully  
19 understand the implications of online lending, illegal  
20 online lending. And then we work from there to try  
21 and somehow make it work.

22                   MR. REGIS GOSSELIN: That's kind of a  
23 nice segue into the -- my next question, which was:  
24 You kind of made the inference that -- that there  
25 would be more presence of online lenders in regulated

1 jurisdictions, perhaps over-reg -- over-regulated  
2 jurisdictions, as -- than jurisdictions where there is  
3 no regulation.

4           In other words, because you have more  
5 regulation in Manitoba, we're going to have more  
6 online lenders than -- than would be the case in  
7 other, freer jurisdictions. And I -- how -- how are  
8 you drawing the infer -- I -- I -- did I misjudge  
9 that?

10           MR. STAN KEYES: No, you -- you --  
11 it's a good question. It -- it begins with the  
12 industry working to provide -- supply the demand of  
13 their need for a small sum short-term loan that they  
14 can't get from a bank. The banks admit it. They're  
15 not going to get into this risk game. So the banks  
16 won't touch it.

17           Some others have tried to provide that  
18 loan, but are they really matching the demand, the  
19 demand for someone to walk off the street, walk into a  
20 store, provide the information, provide the bank  
21 account, and walk out with the funds they need  
22 immediately? Not an hour or two (2), or the next day,  
23 or -- this is not the convenience product they're  
24 looking for.

25           So the industry provides that product.

1 Now, regulations are put on the industry, which has an  
2 impact, of course, on the industry from a business  
3 perspective. And the lender has more and more  
4 regulation piled on them, and the rate is reduced to  
5 the point where it is marginally profitable or even  
6 not profitable, and they say: Let's just get out of  
7 here. We -- we're not going to -- we can't -- we  
8 can't do the job. Our hands are tied, and the rate's  
9 too low. So they leave.

10                   So if there's no alternative for the  
11 customer and that demand to go, where are they going  
12 to go? Well, I suppose some will go pawn shops. Some  
13 will try to get money from their family, but that  
14 often doesn't work. So what they do is they go  
15 online. It's the latest thing. Everyone has got  
16 iPhones now. They go online, plug in a -- I want a  
17 payday loan, and boom, up come all these cites.

18                   So they chose one. According to the  
19 Consumers Council of Canada, the likelihood is that  
20 they'll land on an unlicensed site, and provide all  
21 those details that I explained in -- in my -- in my  
22 submission -- my presentation. But if over-regulated,  
23 the market shuts down or it gets so small as to not  
24 accommodate the demand, the demand moves online. And  
25 for the most part, it'll be an unlicensed online



1 lender providing that loan.

2                   MR. REGIS GOSSELIN: I guess what I'm  
3 getting at is that, you know, there are the  
4 jurisdictions in North America where they have a  
5 fifteen dollar (\$15) cap, and so on. Yeah. There are  
6 similar provisions in place in other jurisdictions,  
7 and the industry seems to survive in those  
8 jurisdictions.

9                   And -- and I guess the question I have  
10 is: Why is it that Manitoba, the cost should be  
11 higher than they are, for example, in some of the  
12 jurisdictions that have a fifteen dollar (\$15) cap?

13                   MR. STAN KEYES: Well, I have a two  
14 (2) part answer to that good question. One (1) is  
15 that Alberta is a very similar jurisdiction to  
16 Manitoba vis-a-vis use of the product, demand, who  
17 uses it, age of the -- and -- and those are all found  
18 on our website in reports that identify just what the  
19 incomes of the individuals are and -- and how old they  
20 are, the male/female breakdown, and all the rest of  
21 it.

22                   So Deloitte, which, let's face it, they  
23 are a nationally recognized, you know, company that  
24 isn't about to try and do anything that wouldn't be  
25 straight up. Deloitte is a very important firm in

1 Canada. So they take all the financial information  
2 from our four (4) largest lenders in Alberta.

3 They take all this financial  
4 information from them. They look at it all, create  
5 aggregate numbers so that not one (1) can be  
6 identified as providing that information. They  
7 destroy that information. They produce a report.  
8 Like I said, beyond reproach for Deloitte to produce  
9 this kind of information.

10 So we have that on the table. Sorry, I  
11 -- I've forgotten what the question was now. Pardon?

12 MR. NORM BISHOP: The fifteen (15).

13 MR. STAN KEYES: Oh, the fifteen (15)

14 --

15 MR. NORM BISHOP: Yeah.

16 MR. STAN KEYES: -- so, yes,  
17 especially in jurisdictions in the United States. A  
18 lot of people will turn and say: Look, they -- they  
19 give it for fifteen (15) there, and -- and they're  
20 doing okay. But it's not just fifteen (15), because  
21 many of these states also allow for other things to  
22 happen for that -- for that customer. For example,  
23 they allow three (3) -- three (3) rollovers, for  
24 example. So that helps them -- the company in  
25 providing that product at that price point.

1                   So if they -- if -- and it's not  
2 somewhere where we would care to go because we believe  
3 that rollovers are damaging. When we -- when I first  
4 came on board in 2006 and we created the -- the best  
5 business practices, the first point on that list was  
6 no rollovers. It was clear. Nobody thought they were  
7 a good idea for many, many reasons.

8                   We lost a substantial number of members  
9 as a result of that bullet point, but it was the right  
10 thing to do. If you're going to work to ensure  
11 customer protection and a viable, competitive  
12 industry, there are certain things you do have to do.  
13 And that was certainly one (1) of them.

14                   So some of these jurisdictions, it's  
15 not just fifteen (15). It's fifteen (15) plus, plus,  
16 plus, and we can survive. Take away all that as we do  
17 not allow in Canada, fifteen (15) is not going to  
18 sustain and companies will close their doors.

19                   MS. ANITA NEVILLE: Thank you again  
20 for your presentation, Mr. Keyes. I wonder if you  
21 could elaborate on your comment that it's far more  
22 difficult for licensed lenders to operate in Manitoba.

23                   And I'd like to know what -- what you  
24 meant by that or if you could give us examples in  
25 terms of closing, in terms of struggles of the

1 industry. And do you have information on whether the  
2 difficulties of operating in Manitoba are sending  
3 people to internet borrowing?

4 MR. STAN KEYES: I very much look  
5 forward to the presentations that you'll receive this  
6 afternoon because there you get it from the cust --  
7 from -- from the company. I'm getting it because  
8 that's what I hear from my members. You will hear it  
9 directly from people who provide that product.

10 Now, that's not evade the questions  
11 because I'd love to sit down now and spend the next  
12 ten (10) minutes explaining how it is that regulations  
13 in the Province of Manitoba are making it very  
14 difficult.

15 When you -- when you have the highest  
16 charge to license yourself as a payday lender in the  
17 province, the highest of anywhere in the country, the  
18 lowest rate in the country at seventeen dollars (\$17)  
19 per hundred, companies are just getting by now.

20 There's a series of regulations, the  
21 seven (7) day cooling off. You know, if someone comes  
22 in -- if I -- if I come into Norm's store and I say,  
23 Norm, I want a loan, and he lends me the money and I  
24 pay him back, and then I say, You know what, I've had  
25 another crisis come up. I need, you know, two hundred

1 dollars for -- for tires, Sorry, I can't give it to  
2 you because I have to wait seven days to provide you  
3 your next loan.

4                   So what does the consumer do? They go  
5 across the street and they borrow from someone else.  
6 Have you really solved the problem? No. You've  
7 caused now the consumer a more difficult life for them  
8 because not only now do they have to leave their  
9 preferred lender that they trust and they put faith in  
10 and who works with that customer.

11                   They're now going to another store, and  
12 the store says, Oh, welcome. Well, our start-up fee  
13 is this much money and you're going to, you know, do  
14 this and you're going to do that. And so it costs the  
15 consumer more money as well.

16                   So a seven (7) day cooling off just  
17 doesn't work. We tried to make that representation  
18 the last time around.

19                   In Ontario, for example, they have a  
20 seven (7) day cooling off with an amendment that says  
21 that if the consumer pays off that loan in full, then  
22 he can borrow again.

23                   Who am I to say, You can't borrow  
24 again? Doesn't happen on my Visa card. Does happen  
25 on my Bay card. You know, it doesn't happen anywhere

1 else, only if it's a payday loan. No, sorry, can't  
2 borrow for seven (7) days. But it doesn't prevent  
3 that person from borrowing, just from that lender,  
4 nowhere else.

5 But that's the kind of regulation that  
6 makes life difficult for lenders here in Manitoba as  
7 opposed to other jurisdictions in Canada.

8 MS. ANITA NEVILLE: Well, that was my  
9 follow-up. How is the life of a payday lender,  
10 including the viability of their operation, different  
11 from that of someone in Saskatchewan or Alberta?

12 MR. STAN KEYES: Heavier regulation,  
13 more expensive cost, fee cap that's lower than  
14 anywhere else in the country. Saskatchewan's twenty-  
15 three dollars (\$23) per hundred.

16 MS. ANITA NEVILLE: And I'm not -- I'm  
17 aware of that, but I -- I guess what I'm looking for  
18 is the reality of the experience of the payday lender.  
19 I know the figures, I've read the material, but I --

20 MR. STAN KEYES: The borrower you mean  
21 or the lender?

22 MS. ANITA NEVILLE: The lender.

23 MR. STAN KEYES: The lender, okay.

24 MS. ANITA NEVILLE: Yeah. Let me just  
25 go another direction, internet loans. How do you, or

1 do you, keep track of both the regulated and the  
2 unregulated internet lenders? Can you do that?

3 MR. STAN KEYES: It's virtually  
4 impossible to keep track of the unregulated online  
5 lender, but what we can do is we will -- someone will  
6 call the CPLA and say, I just borrowed from somebody  
7 online, are they a member? No, they're not.

8 What can you do for me? We provide  
9 them with the consumer protection number so they can  
10 call the province and register the complaint with the  
11 province and then they can try to help them out.

12 Now, the -- the online industry that is  
13 part of our members -- even some of our members land  
14 online, not here in Manitoba, but elsewhere --

15 MS. ANITA NEVILLE: Not here in  
16 Manitoba?

17 MR. STAN KEYES: Not here in Manitoba,  
18 but elsewhere they do land online. We do have online  
19 lenders in Manitoba, don't get me wrong, but the --  
20 the -- some of the companies that are members in  
21 Manitoba don't do both online and store. And --

22 MR. NORM BISHOP: I -- I think 310  
23 Loan --

24 MR. STAN KEYES: Yeah, that's what I  
25 mean. Yeah, some -- some of them do. Some of them

1 do, but not -- not our storefront lender. Some of  
2 them are pure -- pure online.

3                   And the -- the issue comes to I can see  
4 a name of a store online and they say they operate in,  
5 say Manitoba, I can check against their list of the  
6 licensed lenders in Manitoba and their name isn't  
7 there.

8                   So if their name isn't on the list and  
9 they're lending in Manitoba, they're doing it  
10 illegally, unlicensed.

11                   MS. ANITA NEVILLE:    What -- what  
12 motivates a lender to be a regulated lender as opposed  
13 to an unregulated, internet lenders is what I'm  
14 talking about.

15                   MR. STAN KEYES:     Well, the law -- the  
16 -- it's against the law to offer a payday loan unless  
17 you are licensed. So you'd be hard-pressed to open up  
18 a -- a store anywhere and not be identified and have  
19 the --

20                   MS. ANITA NEVILLE:    But it's happening  
21 all the time.

22                   MR. STAN KEYES:     A storefront lending?

23                   MS. ANITA NEVILLE:    No, I'm talking  
24 about internet lending.

25                   MR. STAN KEYES:     Oh, absolutely it is.



1 Absolutely it's happening. For example, in Quebec,  
2 they have a 35 percent APR on everything financial,  
3 lower than the 60 percent federally, but you want to  
4 bet that people can't -- Quebecors can't get a loan  
5 just by going online, but who are they getting it  
6 from?

7                   They're not getting it from a licensed  
8 lender, obviously in Quebec, because Quebec doesn't  
9 licence payday lenders. And the internet, as you  
10 know, you -- you can go on the internet and you don't  
11 know where you are, or what country that particular  
12 internet lender is operating from, Belize, Cayman  
13 Islands, draining -- draining accounts of customers.

14                   So there -- there must be a way. I  
15 don't -- but we haven't figured it out yet, but there  
16 must be a way to identify and -- I guess the short-  
17 term answer is financial literacy. We have to get to  
18 the consumers of the product and ensure that they know  
19 exactly what they're getting into when they take out a  
20 payday loan online.

21                   And to watch for certain things when  
22 they do go online. So you're providing this kind of  
23 information to them so that they are a better, wiser,  
24 smarter consumer when they go to buy a payday loan --  
25 or attempt to get a payday loan online.

1 MS. ANITA NEVILLE: Your response now  
2 has led into my last questions is: What kind of  
3 public education does your organization question --

4 MR. STAN KEYES: Good -- good  
5 question.

6 MS. ANITA NEVILLE: -- to support  
7 financial literacy?

8 MR. STAN KEYES: To start with, a  
9 visit to our website. We have created a portal on our  
10 website, financial education. The -- the visitor can  
11 click on the financial education button and it takes  
12 them to a choice of one (1) of a dozen links that are  
13 there to -- to connect them to better understanding, a  
14 course.

15 The money -- money mart website, for  
16 example, offers to pay the forty dollar (\$40) fee for  
17 someone to take a course in -- in borrowing. There's  
18 federal links. There's provincial links, so they're  
19 all there.

20 I work constantly with credit  
21 counselling agencies and attend their annual general  
22 meetings and speak to the group. And they ask  
23 questions of me, so there's a clearer understanding of  
24 what the customer is up against. And again, we get  
25 back to that same issue, financial education, you

1 know.

2                   Get -- get the customer -- have a  
3 better understanding of what a payday loan is and  
4 possible alternatives. Maybe a payday loan isn't the  
5 way they should go. Maybe they should -- they should  
6 take the time to establish credit at a bank or at a  
7 credit union and take an extra day to -- to get your  
8 funds, but the demand is what the demand is.

9                   Two (2) points. My colleague, Norm,  
10 reminds me of the seven (7) suggested initiatives on  
11 Exhibit 12, points 6 and 7, mandatory acceptance of  
12 settlement plans proposed by credit counsellors.

13                   So if someone gets into trouble  
14 borrowing money and they come in and we say, look,  
15 many times -- many times lenders will not lend people  
16 money. There's no question about that. And what they  
17 -- what they -- as -- as regulated should do is they  
18 should tell the client that you're -- you should go to  
19 a credit counselling agency and get some help in --  
20 you know, in -- in straightening your finances out.  
21 And we, as the lenders, must accept the settlement  
22 plans that are proposed by those credit counsellors.

23                   You're going to help this person out.  
24 You're mandated to accept repayment of your loan but  
25 at this much, you know, that kind of thing. That's

1 the work that credit counselling agent -- the not-for-  
2 profit credit counselling agencies do. They do  
3 terrific work. And we support them both morally. We  
4 hand out their brochures in our stores.

5                   Depending on which province you're in,  
6 they always got a brochure on credit counselling that  
7 are available there. And -- and, of course, we also  
8 support them financially. Thank you, Ms. Neville.  
9 Good seeing you again.

10

11                   (BRIEF PAUSE)

12

13                   MS. SUSAN PROVEN: Oh, okay. So I'm  
14 thinking, since the licence fee is necessary for  
15 someone to open storefront, would it be helpful if  
16 every single person with a storefront operation had to  
17 be part of the association, work with your rules and  
18 your standards of practice.

19                   Because obviously -- I mean, you say  
20 it's really hard to do anything when other people are  
21 operating and not under the same sort of sense of  
22 responsibility. I'm just thinking there must be other  
23 industry partnershi -- you know, industry associations  
24 that bring their industry with the help of government.  
25 Would that be helpful to you?

1                   MR. STAN KEYES:    Very helpful.  My  
2 dues would finally go up and I could afford to do more  
3 things.  But -- but that aside, in the beginning, when  
4 we first started up, that was -- that was a great  
5 consideration that we were asking the provinces about.

6                   You know, like the insurance agency or  
7 any other, they have to belong to the association.  
8 Since that time, however, each province has developed  
9 the legislation, the regulations, the rules, the  
10 costs, all that kind of thing are all regulated now.

11                   So our mandate as an association is to  
12 be here to inform you, to provide information, to  
13 hopefully link you with lenders that can offer you an  
14 insight into their operations, spread the word of the  
15 regulation, go to governments and say here are the  
16 unintended consequences of that action that you would  
17 like to do.

18                   So we are more of the -- of the  
19 government liaison, working with governments to ensure  
20 that they have a clear understanding how the industry  
21 operates and to prevent them from creating a  
22 regulation that not only affects the industry in -- in  
23 such a negative, but also does a disservice to the  
24 customer, makes it -- makes it tougher for that  
25 customer to get -- to get the credit that they need

1 for that short-term small sum credit.

2                   So in the early days it would have been  
3 terrific. Today, with all the -- the regulations and  
4 rules in place, ours is more of a -- I'd love dearly  
5 that everyone would join us, but at seventeen dollars  
6 (\$17) in a hundred money is tight, so the tighter it  
7 gets for them, the less money they have to pay  
8 membership dues and -- and be involved.

9                   THE PANEL CHAIRPERSON:    Okay. Thank  
10 you very much, Honourable Keyes. And we'll -- I -- I  
11 don't know, it's five (5) after 11:00, and I'm just  
12 going to ask Ms. McCandless, should we do our last  
13 opening comments to see --

14                   MS. KATHLEEN MCCANDLESS:    I -- I  
15 understand that Ms. Gaudreault is still on the -- on  
16 the line, and perhaps she could, just for scheduling  
17 purposes, advise whether she intends on -- on making  
18 an opening submission. If so, we can maybe determine  
19 whether we ought to do it before or after the mid-  
20 morning break.

21                   MS. DANIELLE GAUDREULT (BY PHONE):    I  
22 don't have a very long opening submission, a few  
23 comments that I could make, if they would be of  
24 benefit, but otherwise, no, nothing formal.

25                   THE PANEL CHAIRPERSON:    We would

1 appreciate that. Then we will ask you to give your  
2 opening remarks right now. Thank you very much. And  
3 then following that, we'll have a short break, and  
4 then we'll begin with our presentations. Okay, thank  
5 you very much.

6

7 OPENING COMMENTS BY C11 A1 FINANCING & LOANS:

8 MS. DANIELLE GAUDREULT (BY PHONE):

9 Thank you, Ms. Botting, and Chairman Gosselin, and  
10 rest of the Board.

11 As an organization here in Thompson, we  
12 do recognize the need for the regulations. I came  
13 into payday lending in 2008, shortly after the 2007  
14 enactment of those regulations.

15 And we can definitely see where there's  
16 been benefits to both the consumers and to us as  
17 lenders in operating in a more structured and  
18 accountable framework through the enforcement of more  
19 transparent and honest transactions from lenders.

20 I've definitely seen the reduced risk to consumers  
21 while they've still been able to have the freedom of  
22 choice to whom they form the relationships in meeting  
23 those financial needs that come up unexpected.

24 Personally with our own clients, I have  
25 seen that the literacy programs and promoting

1 financial literacy, working with them to provide them  
2 the options and the availability to information, has  
3 definitely been something that has grown. Consumers  
4 are now more aware of the agreements that they're  
5 entering into, and they're being choosier about  
6 finding relationships that have a price value benefit  
7 for them, rather than just taking the first chance  
8 that they've got to have those needs met.

9                   I feel in Manitoba with the licensed  
10 lenders that we've now built a network of lenders who  
11 focus on responsibility for their clients but are  
12 still able to help relieve the pressures of those  
13 unexpected life events. The restrictions that we're  
14 currently under, we're able to keep helping, but not  
15 at the profits, I don't think, that one would expect  
16 an organization like ours recognizes from volume.

17                   The relationships with our consumers  
18 we've built over time, and I think that for the most  
19 part, consumers, regardless of whether they report it  
20 to the CPLA or the Coalition, they all recognize that  
21 we're there to help. They all value the help that we  
22 offer. And most of them understand that when you  
23 can't get help from traditional sources, there is a  
24 slightly higher cost maybe than the bank's prime, but  
25 nothing that prohibits them from wanting to address



1 their needs, and having them taken care of.

2                   There's definitely some good arguments  
3 from all sides, the consumers, the lenders, as far as  
4 the changes to be considered. I just respectfully ask  
5 that when considering those changes, that we don't let  
6 restrictions undo all of the positive effects that  
7 have come from the current regulations where they are.  
8 Thank you.

9                   MR. REGIS GOSSELIN:    You -- you  
10 mentioned that you're concerned about regulation chan  
11 -- regulatory changes that might undo the positive  
12 effects. What --

13                   MS. DANIELLE GAUDREULT (BY PHONE):  
14 Yes.

15                   MR. REGIS GOSSELIN:    -- what do -- I -  
16 - what are you referring to specifically that is of  
17 concern to you?

18                   MS. DANIELLE GAUDREULT (BY PHONE):    I  
19 think the other groups have mentioned the online  
20 lending and things, as well. I did find in 2010, when  
21 we went from being able to lend, I believe it was 50  
22 percent of the take-home pay to thirty (30), that some  
23 of our clients did have needs that 30 percent wasn't  
24 covering. I have found now that it's easier -- and we  
25 had submitted, I believe, some bank statements that

1 had showed the trend of consumers going to multiple  
2 lenders when already the 30 percent -- unfortunately,  
3 it wasn't enough to meet needs.

4                   Minimum wage hasn't gone up enough to  
5 reflect the increase in rent every year, the increase  
6 to other non-optional services like bank fees, cell  
7 phones, those types of every day living expenses.  
8 Those continue to rise. But the other factors that  
9 would enable consumers to not need a payday loan  
10 aren't rising to meet that.

11                   Often on some of our clients, their  
12 average take-home pays after deductions are only about  
13 nine hundred dollars (\$900). It qualifies them for a  
14 loan of about two hundred dollars (\$200).

15                   Here in Thompson, some people have an  
16 Autopac insurance or a daycare bill that exceeds that.  
17 Quite often here in Thompson, our rent is starting at  
18 eleven hundred dollars (\$1,100).

19                   For some clients, they're already into  
20 that deficit on their first pay cheque of the month  
21 with that very first obligation, and that's without  
22 worrying about medical expenses or groceries.

23                   I think that if we were to restrict and  
24 take that down to even lower than the 30 percent, that  
25 that would leave clients then a hundred dollars

1 (\$100). Isn't a lot of help when in some communities,  
2 the cost of groceries, the cost of hydro, the cost of  
3 those cell phone bills, rent.

4                   It would just mean that every person  
5 who needed a payday loan almost would need at least  
6 two (2) of them with the restriction of not being able  
7 to borrow for seven (7) days.

8                   Here at A1, we try to go on a case by  
9 case. If it's absolutely imperative that they borrow  
10 within that seven (7) days, we do honour the  
11 regulation rate of 5 percent, but we're doing that not  
12 as a smart business move, just in the efforts of  
13 continuing to help that consumer.

14                   Many of our consumers, when we can't  
15 help them, they have had to go across the street. And  
16 then they do have two (2) obligations, and we're  
17 working with them again to have them financially aware  
18 of where they are and how to get back so that that  
19 situation's under control.

20                   Often that put more stress on them than  
21 if I could have just lent them the 40 percent of their  
22 take-home pay that was required in that one (1)  
23 situation.

24                   I don't think people would be as  
25 concerned about where they're getting their loan from.

1 They would only be focussing on having that need met.  
2 And if the licensed lender in Manitoba couldn't do it,  
3 they would hit up one that they found on Facebook, one  
4 that was on Twitter, one that they found on Google.

5                   And then those good, solid  
6 relationships with a network of responsible lenders  
7 would slowly be eroded in favour of the higher loan  
8 values that they're able to get through unlicensed  
9 lenders online.

10                   THE PANEL CHAIRPERSON:    Okay.  Thank  
11 you very much, Ms. Gaudreault.

12                   Now I would ask that we would adjourn  
13 for fifteen (15) minutes, and we'll return just prior  
14 to 11:30, and we'll begin the presentations.  And I  
15 believe our first presenter will be Ms. Anna Ellis  
16 (sic) from Policis.  Thank you.

17

18 --- Upon recessing at 11:11 a.m.

19 --- Upon resuming at 11:31 a.m.

20

21                   THE PANEL CHAIRPERSON:    Welcome back  
22 from our break, everyone.  And I apologize, we are a  
23 little late -- behind, but I think the information  
24 we've been receiving has been excellent.

25                   So now I would like to welcome somebody

1 that's come from afar, Ms. Anna Elli -- Ellison. And  
2 she's rep -- representing Policis. Is that -- am I  
3 saying it correctly?

4 MS. ANNA ELLISON: You are.

5 THE PANEL CHAIRPERSON: Okay. That's  
6 wonderful. And so welcome to Canada, and we would  
7 look forward to your presentation. So thank you.

8

9 (BRIEF PAUSE)

10

11 PRESENTATION BY POLICIS:

12 MS. ANNA ELLISON: Okay. That's  
13 better. First of all, thank you very much indeed for  
14 giving me the opportunity to come and speak to you  
15 today.

16 I'm Anna Ellison. I'm from Policis.  
17 We're a -- a London-based independent think tank which  
18 -- and we're focused on evidence-based polit -- pol --  
19 policy making. We work largely for governments, for  
20 regulators, both in the UK and internationally. I  
21 think we provided to the Board some credentials  
22 listing the -- the many clients that we have in  
23 government and -- and regulators around the world.

24 And also we provided to the Board some  
25 -- some background on the extensive research we've

1 undertaken around provision of financial services to  
2 those on low incomes and disadvantaged consumers, and  
3 the -- the very large body of work we've done around  
4 consumer protection in high cost credit markets.

5

6 (BRIEF PAUSE)

7

8 MS. ANNA ELLISON: Okay. Policis was  
9 the lead organization supporting the UK government and  
10 the UK regulators in framing the consumer credit  
11 regulation for both the 2006 Consumer Credit Act and  
12 our more -- more recent introduction of the 2014  
13 Consumer...

14

15 (BRIEF PAUSE)

16

17 MS. ANNA ELLISON: So the -- the  
18 emerging findings I'm going to share with you today on  
19 the work we've been doing about the outcomes for  
20 consumers of different approaches to regulating small  
21 dollar lending, we've also presented to a number of  
22 regulators and commissions around the world, including  
23 the CFPB and the Conference of State Banking  
24 Supervisors in the US, to the UK Financial Conduct  
25 Authority and to reg -- the regulators in Japan and

1 the Small Amount Commission -- Small Amount Credit  
2 Commission in Australia. So I -- I do hope you'll --  
3 you'll find it a useful contribution to your  
4 deliberations.

5                   The -- and the -- the piece of work  
6 we're drawing on today is one (1) of Policis's  
7 occasional public interest projects. It's based on an  
8 ongoing international program of research, which has  
9 been taking place over a two (2) year period or so.

10                   And what we're really trying to  
11 understand is given different approaches to regulating  
12 small sum credit, what actually happens in terms of  
13 the outcomes for consumers? This particular analysis,  
14 I was very pleased to hear that people were interested  
15 in what's happening online in the US, because that's  
16 really where this presentation focusses.

17                   It's primarily drawing on data for the  
18 US, but it also touches on other international  
19 jurisdictions. And critically, it's based on a very  
20 large and robust quantitative database and extensive  
21 interviews with both federal and state regulators in  
22 the US.

23                   So we -- we set off with some basic big  
24 research questions, and those were: Do regulators  
25 achieve the outcomes they intend? And which

1 approaches are most likely to deliver the outcomes  
2 that regulators are seeking?

3                   And those tend to be trying to protect  
4 consumers from detriment, either controlling or  
5 reducing the cost of credit, enforcing responsible  
6 lendings, and -- and encouraging responsible  
7 borrowing. Above all, trying to prevent problematic  
8 debt and cycles of debt, producing transparency and  
9 fairness in product pricing and terms.

10                   And in some cases, seeking to either  
11 reduce or eliminate high cost-small sum lending. So  
12 on all of those mentions that's what we were looking  
13 at, how far do regulations achieve these aims?

14                   And we also asked ourselves, Are  
15 unintended effects occurring? If so, what are they,  
16 and on what sort of scale? And so basically, what  
17 we're -- what we're about on -- was trying to  
18 understand how consumers most effectively be  
19 protected.

20                   Our -- you know, our -- we very much  
21 come from the perspective of consumer protection in  
22 financial services regulation. That's -- that's what  
23 we've -- we're always been about, so.

24

25   (BRIEF PAUSE)



1 MS. ANNA ELLISON: Okay. So for --  
2 for Manitoba, we were -- we -- what we were -- were  
3 trying to -- to help contribute to your thinking on  
4 was, you know, would consumer's interests best be  
5 served by reducing the -- the rate cap or by adjusting  
6 the income to debt restrictions?

7 And if measures were imp -- implemented  
8 which resulted in re -- some restriction of supply,  
9 what would happen? Would consumers borrow less or  
10 borrow less frequently? Would it work to reduce  
11 problematic debt? Trend cycles of debts? And another  
12 question: Will more consumers borrow online as a  
13 result and will they borrow from unregulated lenders?

14 So we were trying to bring some of the  
15 inferences that can be drawn from the experience of  
16 other jeni -- jurisdictions to -- to what might  
17 happen here in Manitoba, so.

18 I was also very much in agreement with  
19 the earlier remarks made about the importance of  
20 weighing the quality of the evidence that -- in -- in  
21 arriving at decisions about implications. And when  
22 you're -- you're looking at the sort of quality of  
23 evidence you tend to be looking at a number of things.

24 You're looking, first of all, at the --  
25 the scale, the size of the samples from -- from which

1 inferences were being drawn, how robust are they, how  
2 large are they. The second point you're always  
3 looking for is how representative are the samples that  
4 you're drawing conclusions from in terms of do they  
5 reflect the actual nature of the universe you're  
6 trying to understand. That's the -- that's one (1) of  
7 the very important points.

8                   The other thing you have to bear in  
9 mind is what is the source and how have those  
10 inferences been drawn. Are they, for instance, the  
11 outcomes of a -- the projections from an economic  
12 model, you know, which is based on assumptions, how --  
13 you know, how accurate are those assumptions or are  
14 they projections based on a survey and, if so, you  
15 work with the survey questions and is it what people  
16 said they would do.

17                   Or is it, as in this case, and I cannot  
18 emphasize to you how important this is, that the data  
19 that we're looking at is not a projection from a  
20 model, it's not the outcomes of a survey, it's the  
21 actual experience of US consumers.

22                   What we're drawing on here is the --  
23 the largest credit reference database for non-prime  
24 lending in the US, which is used by both licensed and  
25 unlicensed lenders. So we're looking at all the loans

1 across the US made for -- for installment loans and  
2 payday loans between 2010 and 2014, so this is what  
3 actually happens.

4                   We're also looking at a time series  
5 from the Teletrack database from 20 -- 2001 to 2011  
6 with nearly 30 million loan transactions. So we're  
7 talking about a really serious quantitative, robust  
8 database. And this is contextualized by interviews  
9 with state regulators who are actually at the  
10 frontline of enforcement and -- and the federal  
11 regulators.

12                   And in order to facilitate their frank  
13 and open disclosure of the challenges they faced and  
14 how best to tackle them they were interviewed on an  
15 anonymous and unattributable basis. And we -- we  
16 interviewed just over twenty (20) of the state  
17 regulators. And we drew -- tried to draw them from a  
18 range of approaches, from states with more or le --  
19 more or less large subprime populations, states with  
20 different characteristics. And so I hope we've got a  
21 really contact of some of the very interesting  
22 quantitative data I'm now going to show you.

23                   I also want to talk to you about the  
24 definition of terms that we use before we start. I  
25 should say that in -- in terms of the data that we're

1 looking at, when we were talking about the data points  
2 available on the -- on the credit reference data  
3 basis, we have two (2) broad types of data.

4                   One (1) set of data is about the  
5 consumers so that we can look at how many loans  
6 they've taken out, for example, about their personal  
7 characteristics, their income, you know, what their  
8 payment -- payments due on the loans are relative to  
9 their income and so on.

10                   In terms of the -- the loans, we can  
11 see where the loan was originated in terms of where  
12 the borrower lived. We can see the -- the amount of  
13 the loan, the pricing of the loan, the -- the payments  
14 that were actually made on that loan, whether that's  
15 interest payments or rollover payments. We can see  
16 where account irregularity and delinquency arises. We  
17 can see where the account falls over. And so we've  
18 got a very rich view of what's happening on the loans.

19                   And in terms of the -- the lenders,  
20 which we also have, we've characterized the lenders in  
21 a number of ways. We've called them state-licensed  
22 lenders if they actually have a licence to lend into  
23 the state in which the borrower resides. We've called  
24 them tribal lenders where the lender claims immunity  
25 from the -- the state-licensed requirements on the

1 basis of sovereign nation status as a tribal lender.  
2 And we've called them offshore lenders where they  
3 don't appear to have a licence to lend into the state  
4 into which they're lending, but -- and have a -- have  
5 a -- their address is offshore.

6                   And we've been through the entire data  
7 base of all lenders that are using the credit  
8 reference agency and classified them on that basis.  
9 So we talk about throughout state-licensed lenders and  
10 we talk about unlicensed lenders. And we --  
11 throughout we're talking about share of lending.  
12 We're talking about the share of loans being made in a  
13 particular state or a particular group of states.

14                   And overall we're overwhelmingly  
15 talking about Payday Lending but over time there's  
16 some installment lending in some states, so there's  
17 some installment lending including. And the other  
18 thing to understand is when we talk about the cost of  
19 credit per hundred dollars, we're talking about all  
20 the -- all the payments made by that consumer on a  
21 particular loan.

22                   So that would include rollover fees, or  
23 penalty fees, or -- or anything else. And the  
24 reference here that we're using, unless we state it  
25 differently, is 2012. So that's -- that's the

1 contents.

2                   We're also talking about three (3)  
3 different categories of states which we group in a  
4 number of ways. There are fourteen (14) states in the  
5 US which either ban Payday Loan or they effectively  
6 ban it through a rate controlled so low that -- that  
7 there's no licence lenders operating. So those are  
8 the banned states.

9                   The restrictive states, we've  
10 classified those according to the relative complexity  
11 of the -- of the legislation, how far it's effectively  
12 enforced, for example with a regulatory database, and  
13 the tightness of the -- of -- of the cap restrictions,  
14 or the various other restrictions.

15                   We've categorized states as more  
16 permissive depending on the number and combination of  
17 -- of restrictions, the simplicity of the framework  
18 really, and whether the price caps are low relative to  
19 some of the other states. So that's -- that's broadly  
20 how -- how they're classified. And there's -- there's  
21 -- in the appendix you'll -- you'll find a list of all  
22 of the states, and where they fit.

23

24   (BRIEF PAUSE)

25

1 MS. ANNA ELLISON: Okay. So one of --  
2 so one of the things to say about online lending is  
3 that that is direction in which the market is moving  
4 globally, and in -- in some cases it's moving really  
5 very fast. In the UK it's about 80 percent online,  
6 and -- and moving quite rapidly to -- towards the  
7 nineties. In Australia it's now about 68 percent, and  
8 that has -- that has really moved very, very fast in  
9 five (5) years.

10 In the US it's now about 35 percent but  
11 again, you know, that's moving because of developments  
12 which -- which we'll discuss. So, you know, this  
13 isn't a minor channel. This is actually very likely a  
14 big channel for the future.

15 So the effects that we're going to be  
16 looking at are really a story of supply and demand,  
17 and the dynamics of supply and demand. The emergents  
18 of online lending over the past ten (10) years has  
19 been a real game changer, not just for lenders but  
20 very much for regulators. And historically the -- the  
21 -- what has happened is that regulators were able to  
22 compl -- control the supply side from end to end.  
23 They could see where the -- where the -- the lenders  
24 were. You know, they were physically there. They  
25 could control supply.

1                   But because of the shift to online  
2     lending that is actually no longer completely the  
3     case, and that has completely changed the dynamics of  
4     the possible in the outcomes, and I 'll try and show  
5     you how that's happened.

6                   Now, historically when a demand for  
7     high-cost short-term lending was restricted what  
8     happened was there was a shift from short-term  
9     lending, the Payday lending, to other credit products.  
10    And most notably in the -- for low income consumers in  
11    the US that was revolving credit cards and overdrafts.

12                  And what happened is that as low income  
13    consumers were shifted to these alternative products,  
14    in those states where there was no payday-enabling  
15    legislation, what happened also instead with the  
16    increase in use came an increase in delinquency.

17                  And with the increase in delinquency  
18    came additional fees for -- penalty fees for late  
19    payment or bounce fees for unmet direct debits and so  
20    on. And in the new digital world, that isn't what  
21    happens. And I'm going to show you some very  
22    convincing evidence in a minute of how that has  
23    changed.

24                  So what happens in the new digital  
25    world is, first of all, the demand is displaced from



1 storefront to online, and from online from licensed  
2 lenders to unlicensed lenders. And what the US  
3 experience demonstrates above all is that a -- a large  
4 online market can emerge very rapidly, and that once  
5 it's established, it's actually very difficult to  
6 tackle.

7                   The other really striking fact around  
8 the data that I'm going to show you is that it's very  
9 clear that different regulatory approaches very much  
10 influence what the shape and nature of this  
11 displacement is like.

12                   So this first slide I'm going to show  
13 you is a little bit busy, but it is an absolutely  
14 amazing piece of evidence. And what this -- what this  
15 represents is it's -- it's based on TransUnion, the  
16 credit reference -- big credit reference database in  
17 the US.

18                   And it's based on a sample of four  
19 hundred and thirty-five thousand (435,000) US  
20 consumers and between 1993 and 2003. And that is --  
21 this is a piece of work that we undertook for the UK  
22 government, trying to understand the impact of  
23 interest rate ceilings and what happened in terms of  
24 product pricing and credit use.

25                   And what happened -- as you can see,

1 this is quarter on quarter for ten (10) years -- in  
2 those states where there was no payday-enabling  
3 legislation, revolving credit use and overdraft use  
4 was significantly higher, 17 1/2 percent on average  
5 over the period. And the delinquency on those  
6 products was higher consistently, quarter on quarter,  
7 for the whole ten (10) years up until 2004.

8                   Now, we went back in 2012 again,  
9 obtained a very large sample from the TransUnion  
10 database. And you know, blow me down, this pattern  
11 which had been, you know, so solid for ten (10) years  
12 had begun to break down.

13                   So we were thinking, What has happened?  
14 Where has that gone? And what we hypothesized was  
15 actually maybe the displacement effect has moved  
16 online.

17                   So we -- you know, we went and -- to --  
18 to look at th sub-prime databases, the ones that  
19 actually measure the activity online. And we -- we  
20 went to Teletrack, and so -- and from 2010, because  
21 clarity began to eat Teletrack's lunch at that point,  
22 you know, as -- as the lending moved online.

23                   And we -- we obtained these two (2)  
24 very big databases and -- and began to see exactly  
25 what had happened to these shifts. And this is what -

1 - some of what I'm going to show you.

2                   So we turn to the next slide. What  
3 appears to have happened is that restricting supply so  
4 that it becomes unprofitable for some of the  
5 legitimate lenders to operate suppresses demand to  
6 some extent.

7                   Use of -- of and demand falls, but only  
8 to the extent that it is no longer stimulated by the  
9 marketing activity of those lenders operating in that  
10 state.

11                   What remi -- what remains is the  
12 underlying demand which is driven by factors such as  
13 cashflow crises, all -- all of the elements where  
14 people need -- need funds: uneven earnings, lack of  
15 safety savings, all the things that have always driven  
16 the use of high-cost, short-term credit.

17                   And so what you see is that, in the  
18 states where -- where the legitimate supply is  
19 restricted, lenders either leave or they change the  
20 profile of the borrowers and their lending criteria.

21                   Or, in the states where it's most  
22 restrictive and they're not able to operate, you then  
23 see the shift online and then to unlicensed lenders.  
24 And I'm going to show you some examples of how this  
25 happens.

1                   Could we have the next slide, please.  
2 Here are some -- here are some US regulators talking  
3 about this effect at -- in their own state. You know,  
4 what happened is the legislation got rid of the  
5 supply, they did nothing to address demand.

6                   Well, they turned to unregulated,  
7 unlicensed lenders, primarily internet based. They  
8 didn't follow the cap rates or anything along that  
9 line. And this is a -- a very senior regulator  
10 talking. You know, they'll probably tell you they  
11 don't have payday lending in their state and  
12 everything is just fine, but guess what, they do have  
13 payday lending in their state, but it's just  
14 unlicensed online payday lending that they have.

15                   And the next slide, please. This was -  
16 - this is something that abso -- you know, is really,  
17 really surprising, and I should remind you that this  
18 is based on the a count of all the loans that went  
19 through in 2012 and the -- the -- all -- all the  
20 online loans and the nature of the regulatory status  
21 of the lenders making those loans in each state.

22                   So nearly -- nearly six (6) out of ten  
23 (10), 59 percent of all the online loans made in the -  
24 - made in the US in that year were made by unlicensed  
25 lenders. And of those, 40 percent were operating

1 offshore.

2                   PEW suggested a slightly higher figure.  
3 They reckoned it was around 70 percent, but this is  
4 actually based on the count of the loans that were  
5 made. That is a really impressive demonstration of  
6 the supply -- the power of supply and demand.

7                   Could we have the next slide, please?

8 So you've got -- in the US, you've got 20 million --  
9 21 million unlicensed loans, almost \$9.7 dollars --  
10 billion dollars a year, 2.4 million US consumers, and  
11 a fifth of all the payday lending in the US. That's -  
12 - that's amazing in the course of ten (10) years.

13                   The next slide, please. And this is  
14 the regulator talking again. You know, if you went to  
15 Google right now, you'd get well over a million  
16 results -- I'm sorry, back -- forward one (1), please.  
17 This is very interesting. This is the state of Texas,  
18 who very conveniently introduced a ordinance, a zoning  
19 ordinance, which came into being on the 1st of  
20 January, 2012, which is very convenient for looking at  
21 year-on-year changes.

22                   And the orange bars are the increases  
23 in online applications on the left -- on the left-hand  
24 chart and the -- the grey bars are the decline in  
25 storefront applic -- applications. As you can see,

1 there was a big increase in online applications.

2                   What is really interesting is the  
3 right-hand slide, because in the -- over 2011, in  
4 Texas, the unlicensed lenders controlled 35 percent of  
5 the online lending in that store -- in that -- in that  
6 state. But by the end of 2012, what the -- what the  
7 ordinance change had done was to increase the share of  
8 all the loans made in that state by unlicensed lenders  
9 to 44 percent.

10                   Now let's have the next slide, please.  
11 It's very, very clear that the different regulatory  
12 approaches produce different balances of unlicensed  
13 and licensed lending. We looked just now at the  
14 online market overall and unlicensed lending  
15 represented 59 percent of all of the -- the lending  
16 going on.

17                   But if -- if you look at the -- the  
18 permissive states, that's around -- they have 35  
19 percent of all their loans are by unlicensed lenders.  
20 But if you look at the -- the restrictive states,  
21 three-quarters (3/4) of all the lending going on in  
22 those states is by unlicensed lenders.

23                   And if you look at the states where  
24 payday is actually banned, it's perhaps even more  
25 striking. The fourteen (14) states where payday

1 lending is banned represent 29 percent of the subprime  
2 population of the US.

3                   But the -- of all the loans, payday  
4 loans being made in the US in 2012, 24 percent of them  
5 were being made in those fourteen (14) states where  
6 payday was banned. Those states also represent 37 --  
7 37 percent of all the unlicensed lending going on.

8                   That's -- that's a very powerful  
9 statement of the impact of different approaches to  
10 regulating in this market.

11                   Could we have the next slide, please.

12 This is a very interesting slide, because it's a  
13 absolute testament to the power of demand. If you  
14 look at the grey bars, those grey bars represent the  
15 share of the -- of the US subprime population  
16 represented by the states where -- where payday's  
17 banned, the states which have a restrictive --  
18 restrictive regulatory framework, and those where the  
19 regulatory framework is more permissive.

20                   If you look at the permissive states,  
21 you will see that there are more loans being made in  
22 those states, but the majority of them are by licensed  
23 lenders. If you look at the restrictive states,  
24 actually the level of all lending going on is not very  
25 different to the share of the subprime population, but

1 most of it is by unlicensed lenders.

2                   And if you look at the banned states,  
3 again, it's not very different to -- to the share of  
4 the subprime population, but almost all of it is  
5 overwhelmingly by unlicensed lenders. The next slide,  
6 please.

7                   So what does this actually mean in  
8 terms of what the outcomes are for consumers? So --  
9 sorry, next slide. So the reason why that balance  
10 matters is because it determines consumer outcomes.  
11 For the state-licensed lenders, they are lower cost,  
12 consumers borrow less, there are higher responsible  
13 lending standards, there's lower delinquency because  
14 of the responsible lending standards, there's a  
15 reduced cycle of debt issues, and there's less  
16 collateral damage to people's bank accounts. They're  
17 not -- you know, they're not falling over in the same  
18 way, and their -- their financial well being is -- is  
19 not impacted in the same way.

20                   For the unlicensed, unregulated  
21 lenders, cost is not only higher, but price is less  
22 transparent, loans are larger, the debt service-to-  
23 income ratios are less sustainable, there's higher  
24 cycle of debt issues, and there's higher collateral  
25 damage and greater indicators of financial stress.



1                   So it's those -- it's those differences  
2 which determine the outcomes for consumers. And we'll  
3 look at some of those now. The next slide, please.  
4 Okay.

5                   Here we are. Here's -- here's the --  
6 here's -- here's the regulators talking again. The  
7 ones that aren't licensed, they're just loan sharks.  
8 They roll people over. They wipe -- wipe out bank  
9 accounts, and they don't respect any legal authority  
10 whatsoever. I would say 99 percent of the complaints  
11 that we get from consumers have to do with unlicensed  
12 internet lenders, and that's a regulator of a very  
13 large US state talking.

14                   And the real harm to the consumers is  
15 they're just -- money's just removed out of your bank  
16 without your control. So there's this kind of  
17 spectrum of harm associated with unlicensed lenders.

18                   At one (1) lend -- at one (1) end,  
19 you've got the sort of -- the sort of lenders who are  
20 maybe ignoring responsible lending or price controls,  
21 and maybe price isn't transparent, the structure of  
22 product is maybe designed to -- to have people borrow  
23 more, and, you know, that -- all that -- at the other  
24 end, you've got -- you know, there -- there's a very  
25 clear crossover with criminal activity and -- and

1 extortion, you know, they just take money out of your  
2 bank accounts. I mean, there's -- there's -- as I  
3 said, there's a spectrum.

4                   The next slide, please. So this is  
5 just looking at compliance with three (3) of the, you  
6 know, key pillars of regulatory requirements. And the  
7 first one is where the states have specified a value  
8 cap. And the -- on the -- on the left-hand side,  
9 you've got the state-licensed lenders. And as you can  
10 see, they're overwhelmingly compliant with the state  
11 loans value cap.

12                   Whereas if you look at the unlicensed  
13 lenders, only just over half of them are compliant  
14 with the state loans value cap. If you look at the  
15 term cap, that's less exaggerated a picture, but  
16 again, the unlicensed lenders are overwhelmingly  
17 compliant and the unlicensed lenders are less  
18 compliant.

19                   But let's look at the cost cap. because  
20 that is where a lot of the damage is done. If you  
21 look at the -- the loan -- the -- the licensed  
22 lenders, 80 percent of those are complying with the  
23 cost cap, but only 30 percent of the unlicensed  
24 lenders, and that's where the -- some of the cost  
25 effects come in. The next slide, please.

1                   And that has real effects. Now, the --  
2 in the -- the left-hand slide here is the -- is -- is  
3 the -- the average value of loans taken out in the  
4 permissive states, which is just over five (5) -- four  
5 hundred dollars (\$400), whereas in the restrictive  
6 states, it's -- it's five hundred dollars (\$500).  
7 And, again, you have the same pattern of the  
8 compliance in the permissive states, much lower levels  
9 of compliance in the -- in the restrictive states. So  
10 in the permissive states, the regulators are more  
11 likely to be achieving their aims, here. The next  
12 slide, please.

13                   And this -- this look -- this -- this  
14 is the cost. Now, if you take into account all the  
15 costs that consumers may pay on their loan, so taking  
16 not just -- just the interest rate, but any fees,  
17 penalties, transaction charges, rollovers, or  
18 whatever, the average -- the average cost per hundred  
19 dollars in permissive states is twenty-six dollars  
20 (\$26) per hundred. In the restricted and banned  
21 states, it's thirty-seven dollars (\$37) per hundred.

22                   And you again have this picture of non-  
23 compliance. Only 20 percent compliance with cost caps  
24 by the -- in the restrictive states, and you've got  
25 almost 90 percent in the permissive states. So again,

1 the regulators are -- in the permissive states are  
2 much more likely to be achieving the outcomes they --  
3 they're seeking. Next slide, please.

4                   So I'm going to show you what I think  
5 is a very interesting comparison of two (2) states,  
6 California and Florida, who have very, very similar  
7 intentions and aims in terms of what they're seeking  
8 to achieve, but take very different routes to  
9 achieving it.

10                   So California, who's characterized a  
11 permissive state, has a fairly simple regulatory  
12 regime. It's got a relatively low price cap,  
13 seventeen and a half (17 1/2) per hundred dollars  
14 borrowed. It's got relatively strict controls on  
15 rollovers, only one (1) allowed per loan, with no fee  
16 -- fees allowed for extensions, and NSF fees of  
17 fifteen dollars (\$15) are allowed. Only one (1) loan  
18 allowed from the lender at any one (1) time.

19                   So, you know, they -- they're pretty  
20 clear about what they -- what they want, and they've  
21 got a simple -- simple framework for achieving it.

22                   Now Flo -- Florida is characterized as  
23 a restrictive state because of the complexity on the  
24 over-layering of the protocols and processes around  
25 lending, and coupled with enforcement by a regulatory

1 database. So the -- the price isn't very different,  
2 sixteen dollars eleven (\$16.11) per hundred dollar  
3 (\$100) loan, plus a verification fee of five dollars  
4 (\$5). Only one (1) loan -- loan is allowed at any one  
5 (1) time, which, of course, they can supervise through  
6 the regulatory database. And there's no rollovers.

7                   There's a mandatory twenty-four (24)  
8 hour cooling-off period, which is -- injects a process  
9 delay, and there's a whole series of mandated  
10 validations for the -- for the loan, or enforced by  
11 the regulatory -- regulatory database.

12                   Let me show you the difference in the  
13 outcomes for those two (2) states. Now, California is  
14 one (1) of the most successful regulators in the US.  
15 It has -- achieves a very high degree of lender  
16 compliance. It has a low cost of credit. It has  
17 lower value loans than elsewhere. It has low  
18 problematic debt, low debt ser -- service overture --  
19 overstretch, and the regulators have largely achieved  
20 their goals.

21                   So there's -- in California, there is -  
22 - 76 percent of the lenders are licensed legitimate  
23 lenders compared to 59 percent -- sorry, 59 -- oh,  
24 sorry, 41 percent in the state as a whole. And if you  
25 look at the -- the lending mix, you can see that

1 there's -- the majority of lenders in California are  
2 state-licensed lend -- lenders, and there's far fewer  
3 -- far fewer offshore and tribal lenders. I mean,  
4 they -- they've got a result in California. Let's  
5 have a look at the next slide.

6                   And equally, one (1) of the most  
7 important things when we're talking about consumer  
8 detriment here, we're not just talking about cost.  
9 We're talking about whether lenders are be -- are  
10 responsible, their incidents of problematic debt, and  
11 their sort of total impact debt written off. And you  
12 can see that California achieves much better than the  
13 US as a whole.

14                   Now, let's look at Florida. So in  
15 Florida, one (1) of -- what has happened in Florida  
16 essentially is that they have achieved real benefits  
17 for consumers in the authorized space. You know, they  
18 -- within the authorized space, they do indeed achieve  
19 what they set out to achieve.

20                   But the Florida market is absolutely  
21 dominated by unlicensed lenders who represent 80  
22 percent of the total -- more than 80 percent of the  
23 total. And as a result, if you take all the loans  
24 overall being made in Florida, you know, you have much  
25 lower compliance with the value caps, and even less

1 compliance with the cost caps. If you take all the  
2 loans being made in Florida as a whole, actually,  
3 they're some of the most expensive in the US.

4                   And that's -- the new -- the new slide.  
5 Next slide, sorry. The next slide.

6                   We're -- we've gone -- we've gone one  
7 (1) too -- but I'll -- this summarizes it. So  
8 essentially, the -- the writeoff and the problematic  
9 debt in Florida are much higher than elsewhere in the  
10 US. And if you just compare the -- you know, what  
11 happens for consumers in Florida and California, it's  
12 very, very clear that the loan values are lower in  
13 California. Costs are lower. The responsible lending  
14 and the -- the outcomes and problematic debt are lower  
15 in California than they are in Florida. Yet those two  
16 (2) states set out with very, very similar objectives.

17                   Next slide, please. So tackling  
18 unlicensed lending, which is -- it's -- it's a  
19 difficult task. Once -- once a -- an unlicensed  
20 market of any scale has been allowed to -- to develop,  
21 it's actually very difficult to -- to tackle. And  
22 I'll show you some of that.

23                   Could we have the next slide, please?  
24 Okay. So some of the federal and state regulators  
25 made some really determined efforts to -- to address

1 unlicensed lending. Some states have more political  
2 will and bet -- a better resource than others. In  
3 some states, they've really made very significant  
4 material effort to pursue tribal lenders, notably New  
5 York.

6                   And in 2013, CFPB and DOJ instituted  
7 Operation Choke Point, which sought to cut the lenders  
8 off from the payment system. And you could see that  
9 immediately following Choke Point, there is clearly a  
10 significant effect. Lenders of all regulatory states  
11 are -- are impacted, but the unlicensed lending, far  
12 more so.

13                   But what's happening is that, over  
14 time, you know, the -- the lenders are rebuilding  
15 their business model. They're partnering with the  
16 offshore, they're partnering with tribal, and you can  
17 see the -- you know, that lending is coming back  
18 again.

19                   And in 2015, indeed we -- when we  
20 shared our emerging findings with them about -- about  
21 the scale of some of the offshore lending going on in  
22 the US, which they hadn't previously been able to  
23 quantify, CFPB have been pursuing through the courts a  
24 number of the offshore lenders.

25                   And I would -- you know, on the grounds



1 that it's -- you know, that -- that it's illegal for  
2 them to collect debt in that state. And I would point  
3 out to you that all but two (2) of those lenders that  
4 the CFPB are pursuing are nominally based in Canada.

5                   Okay. Next slide, please. And this is  
6 -- this -- this is the state lenders talking about  
7 difficulties they face in trying to tackle, you know,  
8 with enforcement action on a local level. You know,  
9 25 percent of the time, they respond to us.

10                   You know, we sent out cease and desist  
11 letters to these institutions asking them to stop,  
12 You're breaking the law. This is a -- this is a very  
13 aggressive regulator, this one.

14                   But, you know, they -- even they are  
15 facing problems. And this is the largest of the US  
16 states here saying, We try and keep track of them as  
17 best we could. And these people have resources, you  
18 know, and they're -- they're struggling, and they say  
19 that they're not making much of an impact.

20                   So prevention is very much better than  
21 trying to attempt to cure once a -- a market like this  
22 has -- has emerged.

23                   And slide 38, please. And this -- this  
24 is the other problem that they -- that the lenders --  
25 not the lenders, the regulators say is that, you know,

1 they -- these -- these people mutate -- mutate  
2 identities, you know. They -- they operate from  
3 different jurisdictions. They try and close one (1)  
4 down. It's like Whac-a-mole. They -- it's -- you  
5 know, it's a really difficult problem.

6                   Next slide, please. And, you know, in  
7 twenty (20) states, they've actually got provisions in  
8 the legislation which makes it illegal to try and  
9 collect debt -- debt from lic -- unlicensed lenders.  
10 It's actually -- you know, collection is void and  
11 unenforceable.

12                   And you know what? In those states, 80  
13 percent of the -- the lenders are unlicensed, you  
14 know, because that's usually part of a -- a wider,  
15 more restrictive package of regulation. So even those  
16 provisions aren't -- aren't really doing it.

17                   Next slide, please. So the -- the US  
18 is not alone in facing this kind of problem. And I'd  
19 like to show you some examples from some other  
20 jurisdictions. This one is one (1) of my -- my  
21 favourites. It's -- it's from Japan, and being Japan,  
22 it's full of cute bubby -- bunny rabbits and puppies  
23 and all the other things that tend to populate  
24 Japanese adverts.

25                   And this is just a -- a -- you know,

1 the results of a simple Google search. But you can  
2 see adverts for illegal lending dominated by the  
3 Yakuza in Japan in -- on every tube train, in every  
4 underground station, around, you know, every lamp  
5 post, telegraph pole. You know, it -- it's big and it  
6 always has been in Japan.

7                   And what's happened in Japan is they  
8 put in reg -- legislation in 2006, flagged in 2006,  
9 which came -- came in in full in 2010.

10                   And the outcome of that was that, if  
11 you worked for a large company or if you had a -- you  
12 were a salary man with a very regular job or you were  
13 a civil servant, what happened is you got cheaper  
14 credit. Yes, it worked to that extent.

15                   And on the -- in the deck that's  
16 registered in the -- encaptured in the regulatory  
17 databases and the reporting, problem debt has gone  
18 down. But what's happened is that people, needle  
19 sellers, housewives, you know, people in insecure  
20 employment, they got cut off from credit. And what  
21 happened there was for a couple of years they -- they  
22 kind of tended to rely on family and friends.

23                   And then as family and friends were  
24 longer able to lend them the money or they fell out or  
25 whatever, at that point, illegal lending began to go

1 up again. So that's -- that's Japan.

2                   The next slide. This is Manitoba, you  
3 know. It's not confined to -- to the US. It's not  
4 confined to the UK. And this is -- this is much, much  
5 nearer to home, so.

6                   The next slide. So what does -- the --  
7 the key takeouts from that are, you know, demand does  
8 not go away when supply is restricted. And these days  
9 demand is displaced from storefront to online. And  
10 the online environment creates market opportunity for  
11 unlicensed, unregulated lenders to fill any vacuum  
12 that arises.

13                   And what happens is that unregulated  
14 lenders are able to take competitive advantage in a  
15 number of ways. Either they offer, apparently,  
16 upfront lower prices to the best repeat customers that  
17 everybody wants that, you know, than can be achieved  
18 by the compliant oper -- you know, operating under the  
19 cap.

20                   But, of course, as we saw earlier, your  
21 -- overall they pay more. It's just that the price is  
22 less transparent and it's -- it's generated by  
23 rollovers, penalty fees, or whatever. The other thing  
24 that they do, is because the compliant lenders can no  
25 longer serve some of the more vulnerable higher risk

1 borrowers, you know, and particularly if there has  
2 been a shift to, for instance, installment loans, you  
3 know, which there's different underwriting conditions  
4 applied to installment loans.

5                   Then you -- what happens is it's the  
6 most vulnerable borrowers are the ones that get  
7 displaced to the unlicensed sector and they are very  
8 much easier to exploit. And the other thing that  
9 happens is that particularly if there's any kind of  
10 process delay injected into the -- into the regime,  
11 you know, because what consumers want is instant cash.

12                   You know, that's what they want. They  
13 want the money now. And of course, lenders compete on  
14 service and delivering money now. And because they're  
15 not held back by process delays, guess what, they can  
16 deliver instant money now. And so they've got a  
17 competitive advantage in that.

18                   And what happens is that you see  
19 lenders lend more frequently than compliant lenders  
20 and they lend a debt to income overstretch ratios  
21 that, you know, the compliant lenders are just not  
22 going to consider. And so what you get is the -- that  
23 where the regime overly restricts supply, then you get  
24 the poor outcomes for consumers, because you -- and  
25 you get higher cost of credit and more problematic

1 debt.

2                   It's -- next slide. So coming back to  
3 what I referred to at the beginning, is historically  
4 regulators may have been able to control supply end to  
5 end, but actually, that may be -- that era has maybe  
6 come to a close. And that when you're thinking about  
7 interventions and how to get the best outcome for the  
8 consumer, it's probably really important to think  
9 about, Well, how can I avoid giving -- making a market  
10 opportunity for the unlicensed lenders or any  
11 competitive advantage to them.

12                   And the two (2) places which really --  
13 the two (2) factors which really appear to drive those  
14 market opportunities is 1) creating any kind of scale  
15 credit exclusion, and the other is protocols which  
16 inject process delays, and cooling off -- cooling off  
17 factors, that -- that's one of the big ones, cooling  
18 off periods.

19                   One (1) of the others is, you know, if  
20 you -- if there has to be validations, for instance,  
21 you can do something online, but you must validate on  
22 -- in -- in a storefront. You know, a couple people  
23 would just go with the online people who don't -- who  
24 don't require you to do that.

25                   And it seems that the most positive

1 outcomes for consumers are achieved where there's  
2 something that's simple, that's clearly focused on the  
3 key things that matter in terms of conduct and, you  
4 know, that allow lenders to operate profitably, you  
5 know, which focus on high conduct standards but allows  
6 them to operate profitably in a scale.

7                   And, you know, there's elements that  
8 the current direction of regulatory travel appear  
9 quite likely to produce unintended and perverse  
10 effects for consumers and what those - consumers that  
11 will be most effected are likely to be the most  
12 vulnerable consumers, unfortunately. And the last  
13 slide.

14                   So on the basis of that evidence, it  
15 would appear that if you further restrict what's  
16 already a restrictive cost cap or you tighten the debt  
17 to income ratios, that will lead to further  
18 restriction of supply and some credit exclusion.

19                   What it's also likely to do -- I mean,  
20 there appears to be a fairly active unlicensed lending  
21 market in Manitoba already. You know, it will provide  
22 further stimulus to that -- that market. And it have  
23 -- and what you will see an unintended effect in terms  
24 of diverting some of the most vulnerable consumers to  
25 unlicensed lenders.

1           And there's a real opportunity -- real  
2 potential to worsen the cycle of debt and drive up the  
3 cost burden of servicing loans for these people. And,  
4 you know, Manitoba consumers would seem best protected  
5 by trying to create an environment which supports high  
6 conduct standards but does enable legitimate compliant  
7 lenders to operate at sufficient scale to restrict the  
8 opportunities available to unlicensed lenders.

9

10 QUESTION PERIOD:

11           THE PANEL CHAIRPERSON:    Thank you very  
12 much, Ms. Ellis. Are there any questions from the  
13 panel?

14           MR. REGIS GOSSELIN:    Thank you very  
15 much for attending these -- these -- this process. I  
16 much -- much appreciate the information you provided  
17 to us and the scope of the examination you've  
18 completed. But for the sake of transparency, I looked  
19 up your website, Policis.

20           MS. ANNA ELLISON:    M-hm.

21           MR. REGIS GOSSELIN:    And you're  
22 obviously a consulting company --

23           MS. ANNA ELLISON:    M-hm.

24           MR. REGIS GOSSELIN:    -- so your  
25 presence here is sponsored by anyone or is it just --



1 MS. ANNA ELLISON: It's the c -- the  
2 CPLA paid for my flight out here and for my  
3 accommodation and for my time spent today --

4 MR. REGIS GOSSELIN: Okay.

5 MS. ANNA ELLISON: -- and, you know,  
6 for any followup -- allowed two (2) days of followup  
7 time. But the research is a public interest project  
8 not -- not sponsored or paid for by anybody.

9 MR. REGIS GOSSELIN: Okay. Now, I  
10 have a few questions just to clarify in my own mind.  
11 The data you used to examine the topic --

12 MS. ANNA ELLISON: M-hm.

13 MR. REGIS GOSSELIN: -- you used data  
14 from credit reference agencies --

15 MS. ANNA ELLISON: Yeah. And the --  
16 the --

17 MR. REGIS GOSSELIN: -- US Teletrack  
18 and -- and the other one.

19 MS. ANNA ELLISON: And Clar -- Clarity  
20 Services. The -- Clarity Services has got the -- the  
21 richest --

22 MR. REGIS GOSSELIN: Okay.

23 MS. ANNA ELLISON: -- data, so the --  
24 the majority of this data analysis is drawn from their  
25 database.

1                   MR. REGIS GOSSELIN:    Now, the -- the  
2 data that you examined would not have included data  
3 from unlicensed, unregulated online lenders?

4                   MS. ANNA ELLISON:    Oh, yes, it did.  
5 Yes.

6                   MR. REGIS GOSSELIN:    Online lenders?

7                   MS. ANNA ELLISON:    That's -- that's  
8 the point.  That that -- that is how we are able --  
9 because they also use the -- the Teletrack and -- and  
10 the -- and Clarity Services.  That's how we're able to  
11 quantify it exactly --

12                  MR. REGIS GOSSELIN:    Okay.

13                  MS. ANNA ELLISON:    -- because we can  
14 identify which loans they were making.  You know, we  
15 classified all the lenders.

16                  MR. REGIS GOSSELIN:    So even though  
17 they're not based on the US, they can -- they access  
18 the same --

19                  MS. ANNA ELLISON:    Exactly.

20                  MR. REGIS GOSSELIN:    -- the same  
21 information?

22                  MS. ANNA ELLISON:    Exactly.

23                  MR. REGIS GOSSELIN:    Now, how  
24 prevalent is tribal lending in the US?

25                  MS. ANNA ELLISON:    It's -- I'm just --

1 it -- it accounts for about 60 percent of the off --  
2 on -- the online lending. I can't remember the exact  
3 proportion of the -- of the market overall; it's --  
4 it's pretty substantial though. It has been effect --  
5 it has been affected by Operation Choke Point; it's  
6 large.

7 MR. REGIS GOSSELIN: It may be a more  
8 technical question, but slide -- I'm looking at slide  
9 26.

10 MS. ANNA ELLISON: Twenty-six (26)  
11 hang on.

12 MR. REGIS GOSSELIN: Par -- pardon me,  
13 page 26 of your presentation.

14 MS. ANNA ELLISON: This is the one  
15 about the -- the loan values.

16 MR. REGIS GOSSELIN: Yes. Maybe Diana  
17 can pull it up. It's slide -- pardon me, page 26 of  
18 the presentation.

19 MS. ANNA ELLISON: Is -- is yours a  
20 two (2) side or is it a full size like that?

21 MR. REGIS GOSSELIN: Well, I've got  
22 the wrong page number, yes. I've got -- it's showing  
23 in my presentation as -- as page 26 of the  
24 presentation.

25 MS. ANNA ELLISON: Is it about the --

1 the loan values?

2 MR. REGIS GOSSELIN: That's right,  
3 yes, permissive restrictive states. So -- so I guess  
4 the question I have is: With respect to the -- the  
5 sum loan is lower in permissive states than they are  
6 in the restrictive and banned states?

7 MS. ANNA ELLISON: Over -- over --  
8 overall the average loan value is -- is lower across  
9 the -- in -- in the permissive (sic) states. That's  
10 partly true from -- about California actually, which  
11 has lower limit -- lower loan limits than most of the  
12 other states. And they're, of course, a very popular  
13 state so that has a big impact on the average.

14 What we did was we took the -- the  
15 regulatory requirements for each state, and -- and  
16 then looked at all the loans in that state and saw  
17 what proportion of the loans in each state complied  
18 with that regulator's requirement. And then did that  
19 for every state and grouped them in the  
20 permissive/restrictive/banned to -- to arrive at those  
21 proportions that were complaint or not.

22 MR. REGIS GOSSELIN: Now, you -- you  
23 referred to some initiatives that were taken to  
24 control online lending, and specifically the actions  
25 that were taken for the -- through the payment system.

1 MS. ANNA ELLISON: That's right,  
2 Operation Choke Point, it was called.

3 MR. REGIS GOSSELIN: Are you in a  
4 position to comment about measures that have been  
5 taken by individual states to -- to regulate  
6 unlicensed online lenders?

7 MS. ANNA ELLISON: The -- I think it's  
8 fair to say that if you're looking just at the  
9 individual state's level, very few states have been at  
10 all effective in a sustained attempt to reduce or  
11 contain illegal lending.

12 New -- New York has been by far the  
13 most aggressive of -- of the states, and they have  
14 pursued the tribal lenders through the courts.  
15 They're done work on restricting access to the banking  
16 and payment systems.

17 But in -- nonetheless, even despite all  
18 their effort in New York I think their share of the  
19 sub-prime population is 5.7 percent, and the share of  
20 unlicensed lending is 6.5 percent. So even the most -  
21 - you know, the most assertive regulator with the best  
22 resources acting on their own as a state have -- have  
23 been relatively ineffective at tackling this problem  
24 once it's really taken hold.

25 MR. REGIS GOSSELIN: Now, my

1 understanding was that in -- in Canada we -- there --  
2 there's no extensive use made of the FICO score. Am I  
3 -- am I correct in --

4 MS. ANNA ELLISON: You know, I'm --  
5 I'm not an expert on -- on credit.

6 MR. REGIS GOSSELIN: Yeah. I -- and I  
7 guess the --

8 MS. ANNA ELLISON: You might have to  
9 ask the --

10 MR. REGIS GOSSELIN: Yeah. I guess  
11 the -- the issue that I'm trying to wrestle within my  
12 mind is the fact we're using data from another  
13 jurisdiction where the -- where the regulatory  
14 environment is very different than ours. And using  
15 that data and -- and drawing the inference that --  
16 that that data is representative of data that would be  
17 applicable to Canada. The same data.

18 MS. ANNA ELLISON: I -- I don't think  
19 it's a fact of the credit reference database that --  
20 that controls the effect that we're talking about.  
21 That simply allows us to measure and see it in a way  
22 that wouldn't be possible otherwise.

23 The -- the phenomenon of -- of  
24 restricting credit supply and the displacement effect  
25 you -- you can see across a whole series of -- of

1 markets. I mean, I showed you some of the examples  
2 from -- from Japan. And it -- it's -- and I showed  
3 you also the displacement effects that -- for -- for -  
4 - before the online lending came on.

5                   And if you look at -- if you look at  
6 applications for small sum loans, or indeed it can be  
7 credit cards or something else where -- wherever the  
8 supply has been restricted, you can see that there's a  
9 drop off in -- in sup -- in applications because  
10 there's not so much advertising as there was  
11 previously and not -- not so many 'come on in' offers.

12                   But you'll still see that what happens  
13 is that applications fall only slightly. What changes  
14 is the ratio of applications that are accepted. You  
15 know, that's -- that's what happens.

16                   MS. SUSAN PROVEN: Maybe I'll just ask  
17 you how -- with your experience in Europe and the UK  
18 and Japan internationally, what kind of cooperation  
19 have you witnessed between states and payday lending  
20 associations? Like strengthening associations, does  
21 that help, and making sure that people are dealing  
22 with licensed operators only?

23                   MS. ANNA ELLISON: The trouble is with  
24 -- the trouble is with unlicensed lenders online is  
25 they -- I mean, they don't, you know, wave a flag

1 going, Hi, we're unlicensed.

2                   They do everything that they can to  
3 make themselves look like licensed lenders, I mean to  
4 the point where they may even pretend to be, I don't  
5 know, Citibank or GE or, you know, something else.

6                   You know, they -- they don't announce  
7 themselves as -- and they very often have, you know,  
8 fake licence -- you know, fake licence numbers or, you  
9 know, spiels about, you know, you consult the debt  
10 advice services or they -- they make themselves as  
11 close a facsimile.

12                   And consumers just don't see the  
13 difference. And in some states in the US, they've  
14 really tried quite hard. I can't remember which one  
15 it is that's -- one (1) of them has spent a lot of  
16 money on a -- I -- I can send you the -- the material  
17 on consumer education campaign.

18                   But actually, they've still got one (1)  
19 of the highest levels of unlicensed lending in the US,  
20 you know, because the -- you know, the conditions are  
21 such that it's created that. And consumers actually  
22 don't really either seem to care or are unable to  
23 distinguish between something that looks like a  
24 licensed lender and something that isn't actually.

25                   MS. SUSAN PROVEN: I guess I just have



1 one (1) short question. As online shopping, gambling,  
2 banking expands, and many people now, especially young  
3 people, are almost using nothing but online for doing  
4 their work, do you think this trend in online -- I  
5 know you said there's some differences between the  
6 restricted and the, you know, unrestricted or -- but  
7 do you think that this is just going to be the trend  
8 anyway and it is still going to be hard to  
9 differentiate?

10                   So that when you're saying that people  
11 will just automatically go to online because they've  
12 been restricted or whatever, that they may be going  
13 online anyway because that's the trend of how we're  
14 doing business nowadays.

15                   MS. ANNA ELLISON: That -- that's  
16 partly it. It's -- but it's also people like the --  
17 some of the service and convenience and the speed.  
18 And they also like the anonymity of it, do you know, I  
19 mean because they don't feel -- you know, it conflicts  
20 them.

21                   Lots of people who use storefronts and  
22 like the familiarity, they don't have to explain  
23 themselves. You know, the -- they're already a known  
24 quantity as far as that store is concerned.

25                   But equally, there's a -- a lot of

1 people who just like the anonymity and convenience of  
2 -- of going online.

3 MS. SUSAN PROVEN: And I guess just a  
4 follow-up to that. Was there any demographics done  
5 who's using the online payday lending? Like is it  
6 younger people? Is it older people, or --

7 MS. ANNA ELLISON: It used to be.  
8 There used to be a -- a bias to actually younger and  
9 better off people was how it started. And actually,  
10 as time has gone -- gone on and the -- the  
11 environments have become more restricted, actually  
12 that bias is beginning to fall away because it's  
13 countered by the people who are coming in actually  
14 being more down market.

15 And very often they're single parents  
16 or they're, you know, families because that's --  
17 that's the point where credit use is -- is very often  
18 highest, you know. So that's -- oh, actually, now  
19 it's -- it's quite a -- a close -- but it's -- it's  
20 more segmented now, online use, because it's got very  
21 different groups within it.

22 It's got the people who were using it  
23 originally because they -- they're deal seekers,  
24 they're younger, you know, they're -- they're more  
25 savvy. And you've got the people who are driven into

1 it, you know, who -- who are unable to get credit  
2 elsewhere.

3                   And particularly some -- there are --  
4 within those, there are -- there are also people who -  
5 - who are wanting multiple loans, you know, because  
6 whe -- whether they're restricted and the licensed  
7 lender's not compliant, you've got more of the people  
8 who are -- who are really getting -- there's more very  
9 troubled people in the online space.

10                   MS. SUSAN PROVEN:    So I guess what I'm  
11 just trying to understand is whether this online is  
12 due to -- people are going to the online is due to  
13 because of the restrictions put on by the regulations,  
14 or is it because people are becoming more comfortable?

15                   Like, for example, when I take an older  
16 demographic, like myself --

17                   MS. ANNA ELLISON:    M-hm.

18                   MS. SUSAN PROVEN:    -- who at one (1)  
19 point would prefer to go into a bank, has started to  
20 do all their banking online. So I guess what I'm just  
21 trying to understand a little bit more about why  
22 people are going online, whether it's really the  
23 restrictions or whether it's the demographics changing  
24 and people more -- feeling more comfortable to do  
25 their business that way?

1 MS. ANNA ELLISON: It's -- it's both  
2 things. And even where it's -- you know, it's not --  
3 not the impact of the -- of -- of people being shifted  
4 from storefront to online. You know, there are people  
5 who go online because the lenders look very much the  
6 same, are still exposed to, you know, what then --  
7 it's not certain what they're going to get, you know,  
8 they're just going online to get a loan.

9 MS. SUSAN PROVEN: Okay. Thank --  
10 thank you. That's the end of my questions. Anybody  
11 else?

12 THE PANEL CHAIRPERSON: Well, thank  
13 you very much for attending and bringing that very  
14 thoughtful presentation. And again, welcome to  
15 Winnipeg. I think we'll break now for lunch. Would  
16 forty-five (45) -- do you want to do an hour, or  
17 forty-five (45) minutes?

18 Forty-five (45) minutes for lunch,  
19 would that be -- so we'll return at a quarter after  
20 1:00 and then we'll continue with our presentations.  
21 Enjoy your lunch.

22

23 --- Upon recessing 12:33 p.m.

24 --- Upon resuming at 1:22 p.m.

25

1 THE PANEL CHAIRPERSON: Welcome back  
2 to the Public Utilities Board payday loan hearings.  
3 I'd like to welcome Janet -- Janet Davis from the  
4 Money Tree who is going to be our first presenter this  
5 afternoon.

6 Ms. Davis, may I turn the mic over to  
7 you?

8

9 PRESENTATION BY THE MONEY TREE:

10 MS. JANET DAVIS: Thank you very much,  
11 and I would like to thank the Board for offering me  
12 the opportunity to make this presentation.

13 I'm not a fact-and-figures girl. I'm  
14 leaving that to everybody else to look after for me.  
15 I'm here to present some -- some facts and my opinions  
16 and the opinions of my peers on the major effect that  
17 potentially decreasing the maximum allowable charges  
18 and lending amount will be to only to our businesses,  
19 but to our customers, the consumers, that we're all  
20 here to protect.

21 When speaking of the consumers, I not  
22 only speak of payday loan companies. I also speak  
23 about ourselves, employees and owners of the payday  
24 loan companies of Manitoba, as we are consumers, too.

25 Payday loans are a want and a need of

1 our society today. By reducing our fees and loan  
2 amounts, that will potentially close the doors on many  
3 businesses. This would not be fair to our customers  
4 and our clients because, as we've all been made aware  
5 of already today, that pushes them more to the online  
6 banking, the unlicensed -- the companies that do --  
7 are able to charge them more than they actually, in  
8 all honestly, should be paying.

9                   We're offering a service. I don't  
10 necessarily agree with the fairness of the 17 percent  
11 based on a business perspective, but I do see how that  
12 can be actually quite fair to the -- to the customer.

13                   Unfortunately, many of the employees  
14 and owners at payday loan companies in Manitoba and  
15 also the feelings of some of our clients believe that  
16 the Board has already made the decision and that our  
17 efforts are all for nought.

18                   I tend to look at things on the  
19 positive side and have to believe that the information  
20 given here at these hearings this week by the  
21 Intervenors and the presenters and the Canadian Payday  
22 Loan Association will all be taken into consideration  
23 before your decision and -- is actually made.

24                   In a few minutes, I will give some  
25 figures on the debilitating effect lowering the rates

1 and maximum loan amounts will have on our Manitoba  
2 companies -- Manitoba small businesses that our  
3 current government of Manitoba and potential new  
4 government say they want to support and help flourish.

5                   Before I would like -- go into that, I  
6 would like to bring forward some thoughts and ideas  
7 that perhaps the Board and the CPO may or may not have  
8 considered prior to today.

9                   The Public Utilities Board and the  
10 Consumer Protection Office are here to protect the  
11 consumer. However, one (1) thing that I'm sure we all  
12 as payday lenders tend to struggle with is what the  
13 consumer has to say about the way they are being  
14 protected and the information or the knowledge that  
15 either of your offices have on the opinions of the  
16 actual consumers, our customers, that we are all here  
17 to protect.

18                   The Province of Manitoba collects six  
19 thousand dollars (\$6,000) per year per payday loan  
20 office in Manitoba for licensing fees and literacy  
21 education.

22                   Before the decision is made from the  
23 hearings this week, I would like to suggest that  
24 perhaps some of that be money spent on polling or  
25 questioning the actual existing payday loan customers

1 on how they actually feel about the regulations,  
2 specifically the cooling-off period and the amount  
3 that they are allowed to borrow, and of course, their  
4 thoughts on the maximum allowable rate that can be  
5 charged to them. This would res -- result in better  
6 education for the Board, the CPO, and everybody else  
7 here that is involved.

8                   During audits by the CPO, personal  
9 information is collected on the consumers. And  
10 perhaps those are some of the customers that should be  
11 contacted so they may directly express their opinions  
12 to those that make the decisions on their borrowing  
13 practices and decisions.

14                   Or perhaps the CPO or the Province of  
15 Manitoba could request additional information from the  
16 payday lenders to question our customers on their  
17 views of the regulations, perhaps placing  
18 questionnaires in our offices to obtain information  
19 from our clients that would like to be contacted.

20                   My reason for the suggestion is because  
21 I'm confident that none of you on the Board or in our  
22 government agencies that will be making this decision  
23 have ever had to use a payday loan or perhaps even  
24 known anybody that's had to use a payday loan. But  
25 I'm sure somewhere along the line, perhaps unknown to



1 you, you have come across someone that has had to use  
2 one.

3                   They're not a bad thing. They can be a  
4 good thing for those that run into a situation that  
5 they just don't have the money for. We talked about  
6 the more conventional lending, the banks, the finance  
7 companies. Unfortunately, many of our customers just  
8 can't go to them.

9                   But by having to wait the -- what they  
10 call the seven (7) day cooling-off period, which is  
11 actually an eight (8) day, because we can't include  
12 the day that they pay, that can be detrimental and  
13 cause numerous perhaps NSF fees on the customer's bank  
14 account, causing -- perhaps -- per -- down the road  
15 causing them problems with their bank or with future  
16 conventional lending practices.

17                   The banks are regulated as to what  
18 interest rate they can charge, but they're really not  
19 regulated onto the -- what they can charge for an NSF  
20 fee. If a customer pays forty-seven fifty (47.50) for  
21 two (2) NSF fees, that costs them, in actuality, more  
22 than a two hundred and fifty dollar (\$250) payday  
23 loan.

24                   And those are many of the issues that  
25 we struggle with as payday lenders on a daily basis,

1 is the complaints from the customers. I personally  
2 have referred them many times to contact the  
3 government agencies to express their opinions. When  
4 I've expressed that to them a second or a third time,  
5 they say, We've tried, but it doesn't seem to be  
6 listened to.

7                   The Coalition constantly --  
8 consistently mentions that the payday loan industry  
9 focusses on low income earners. However, a large  
10 percentage of our customers are comprised of teachers,  
11 nurses, railway, hydro, law professionals, for  
12 example, Boeing employees, upper management of our  
13 stores and our -- and our industries.

14                   A lot of those people are earning  
15 anywhere from eighty (80) to a hundred and twenty  
16 (120) or a hundred and thirty thousand dollars  
17 (\$130,000) a year, but, for whatever reason, they  
18 still feel it more beneficial to come to borrow from a  
19 payday loan company.

20                   A lot of the remarks that we get, if I  
21 go to a bank, I've got to book an appointment and I've  
22 got to wait three (3) days before I can finally see  
23 somebody. And then they're going to say, well, we can  
24 give you a five hundred dollar (\$500) overdraft,  
25 which, if it's a pay-per-use overdraft limit, it's

1 going to cost them more than, say, a two hundred  
2 dollar (\$200) payday loan, so it's really --  
3 conventional lending isn't always the best way for  
4 someone to go to.

5                   As I had mentioned before, many of the  
6 issues that we struggle with are dealing with and  
7 having to explain to the customer that it's not us,  
8 it's the regulations, because first and foremost, that  
9 they're going to think that it's us.

10                   We can tell them that they qualify for  
11 a two and a eighty-one dollar (\$281) loan, but they  
12 really need three hundred dollars (\$300).  
13 Unfortunately, we can't give that to them. So they'll  
14 take the two hundred and eighty dollars (\$280) from  
15 us. And then they're -- either, a) They go across the  
16 street to get the additional funds that they use or  
17 they will go to an online payday lender. But the --  
18 by the time they do that, they're not just going to  
19 borrow the extra twenty (20) or fifty dollars (\$50)  
20 that they need, they're going to go for more, which  
21 ultimately is detrimental to them, and we all know  
22 that.

23                   And, as I mentioned before, the banks  
24 are governed -- been -- governed by the amount of  
25 interest that they can charge, but they aren't

1 governed as to the -- the fees that are applied to the  
2 bank accounts or their NSF fees.

3                   By decreasing the maximum allowable  
4 charge, our office alone is looking at a decrease in  
5 revenue of at least forty-three thousand dollars  
6 (\$43,000). By additionally decreasing the amount that  
7 we can lend takes us potentially to a loss of seventy  
8 thousand dollars (\$70,000). That does not include the  
9 continuous increase costs that we continue to bear,  
10 office supplies and equipment, utilities, rent and  
11 wages, many of which are also presented to the Public  
12 Utilities Board.

13                   Not very often do we hear of Manitoba  
14 Hydro with a water utility being able -- being forced  
15 to lower their rates. Consumers also wouldn't take  
16 kindly to a decrease in their wages. Even minimum  
17 wage continues to increase. How can we bear the load  
18 with the reduced fees? And once again, banks,  
19 finance, credit card companies, they're allowed to  
20 charge perhaps up to seventy-five dollars (\$75) for  
21 one (1) late payment fee.

22                   We can only recover the cost of a  
23 returned item from our bank. It doesn't cover the  
24 cost of our collections, or even embark upon a portion  
25 of -- of our bad debt, which unfortunately, yes, is

1 all part of the business, but it's part of the  
2 business that we need to somehow recuperate.

3

4 (BRIEF PAUSE)

5

6 MS. JANET DAVIS: And also something  
7 that is slightly off topic, when we talk about the  
8 regulations and changes to the regulations, sometimes  
9 the amendments are -- are hard for us to understand,  
10 and perhaps if some of it is written in more layman's  
11 terms, that might be better for all of us.

12 And not only are we forced to bear the  
13 cost of the increased prices and look at -- at  
14 lowering the fees that we can charge to the customer,  
15 there's also the increased cost in advertising that  
16 we're forced to contend with, because we have to have  
17 certain paragraphs in our advertising that increase  
18 the cost to us. We have to increase the -- the size  
19 of our ads, or we have to reduce something else to  
20 compensate for that.

21 Thank you for giving me the opportunity  
22 to speak today.

23

24 (BRIEF PAUSE)

25

1 QUESTION PERIOD:

2 MR. REGIS GOSSELIN: So I -- I just --  
3 I missed your point about the ads. You said you had  
4 to --

5 MS. JANET DAVIS: Okay. With the --  
6 with the government regulations, we do have to have a  
7 certain statement in any and all of our advertising.  
8 That is also increasing the costs of our advertising.  
9 Even if we want to put a simple roadside sign, that  
10 statement has to be included in that.

11 There's also different -- difference in  
12 perception of what is -- the statement has to be as  
13 easily readable as the rest of the advertisement.  
14 There's a difference in perception on how that is  
15 taken. Some may be able to read it very quickly,  
16 others may not. Some might have to be close, some  
17 might have to be far.

18 So, you know, that also adds additional  
19 costs to each and every, you know, payday loan company  
20 or office that -- that with reduced rates, we wouldn't  
21 be able to recover.

22 MR. REGIS GOSSELIN: I just want to  
23 make a point for the record. We have not made up our  
24 mind. We are expected to hear the evidence and -- and  
25 listen to --

1 MS. JANET DAVIS: And that I truly  
2 believe, yes.

3 MR. REGIS GOSSELIN: Okay. And we are  
4 expected to strike a balance between the needs of  
5 consumers and -- and the industry providing the  
6 service. So we have not made up our mind. We're --  
7 we -- that's why --

8 MS. JANET DAVIS: Oh, absolutely.  
9 Yes.

10 MR. REGIS GOSSELIN: -- so that's why  
11 we -- it's important for you -- for us to hear what  
12 you in particular have to say, because you're --  
13 you're dealing with these customers every day, so --

14 MS. JANET DAVIS: I am. And that --  
15 and -- and like I said, that can get frustrating. And  
16 talking to some people today, in actuality, some  
17 employees have gone off on stress leave, because they  
18 are having difficulty. All I can ask is each and  
19 every one of you here or on the Board, government  
20 authorities that help to make these decisions, first  
21 and foremost, put yourself in the -- in -- in the  
22 customer's shoes.

23 When they're standing at our counter  
24 and we have to say to them: I'm sorry, we can only  
25 give you two hundred and fifty dollars (\$250). We

1 can't give you the three hundred and fifty dollars  
2 (\$350) that you actually want to borrow; 30 percent is  
3 based on their net monthly income. When you look at  
4 the banks and they're allowed to borrow up to 35 or 40  
5 percent of their total debt servicing ratio, that's  
6 based on their gross yearly income. It's not based on  
7 their net.

8                   Now, do we want to get into borrowing  
9 based on gross and doing seven (7) or eight hundred  
10 dollar (\$800) loans for somebody that's earning  
11 fifteen hundred dollars (\$1,500) every two (2) weeks  
12 gross? No, absolutely we don't want to do that,  
13 because that's not for the best of the customer.

14                   Us at the Money Tree and now at the  
15 Portage Payday Loans, we try to coach our customers to  
16 take the amount that they need, not the amount that  
17 they want. But sometimes the amount that they want is  
18 more than we can actually give them. And to have to  
19 consistently stand there -- like, put yourself in the  
20 customer's shoes. Put yourself in our shoes when we  
21 have to say: No, I'm sorry. We can't give you that  
22 much.

23                   And we know that they're going to walk  
24 across the street, or they are going to go home and go  
25 online, and from the stories I've heard from some of



1 the online lenders, they say that they're going to put  
2 the five hundred dollars (\$500) into your bank  
3 account, but you never see it. But the payments start  
4 going through their bank account.

5                   Where is that fair to the consumer that  
6 they're being forced to use perhaps even more  
7 unconventional lending practices than payday loan  
8 companies are considered?

9                   For us to have to constantly tell them  
10 that, No, we can't do it, this is what we can do,  
11 that's what you have to deal with. And I can -- you  
12 know, I can noticeably see where some people would  
13 have a hard time dealing with that on a daily basis.  
14 And not only that, the disappointment to the  
15 customers.

16                   Customers come to us because they want  
17 to -- they need to -- they come to the Money Tree  
18 because they like us. They come to Parkland Loans  
19 because they like the people there. They don't want  
20 to perhaps deal with others. They don't want to go to  
21 a second, or potentially a third payday lender.

22                   But unfortunately, with the regulations  
23 the way they are right now, sometimes that -- that's  
24 what they're forced to do. And that's the  
25 heartbreaking part.

1 (BRIEF PAUSE)

2

3 MS. ANITA NEVILLE: You somewhat  
4 anticipated my question in your -- your last comments.

5 What are your biggest complaints, your  
6 most common complaints from customers?

7 MS. JANET DAVIS: The biggest  
8 complaint is -- well, that -- that's twofold. The  
9 waiting period, that hurts them. That can cause them  
10 -- sometimes cause them to have two (2) or three (3)  
11 NSF charges on their bank account, which is probably  
12 more than they wanted to borrow in the first place.

13 The -- the cooling off period, the  
14 waiting period. I would say number 1, is the hardest.  
15 Because, you know what, they might think that they can  
16 go that week without taking the additional money right  
17 now, but then something comes up. And they come to  
18 us, or whatever company, because that's the company  
19 that they want and choose to deal with, but we have to  
20 tell them that we can't do it yet. And that's hard.  
21 That's hard on the customer. That's hard on us.

22 And the amount that they can borrow.  
23 They -- so many of the customers express, like, really  
24 -- where does the government find it right that they  
25 can tell us what we can do with our money? It's our

1 money, the money that we've earned, we've worked hard  
2 for, and why should somebody tell us how much we can  
3 and cannot borrow?

4                   And they find that difficult. We find  
5 that difficult at times. That's why I'm saying, like,  
6 the knowledge that could be gained by actually talking  
7 to the customer, I understand that there's been focus  
8 groups with the Coalition, but at the -- I don't know  
9 who was involved with those focus groups, or is it  
10 just polling anybody randomly, somebody that may or  
11 may not have used a payday loan company, that, I don't  
12 know.

13                   I haven't taken the opportunity to find  
14 that information. But I think if the actual customers  
15 were actually talked to, that there would be a much  
16 better understanding. Like, yes, I can express the  
17 views that I get from our customers. I can express  
18 the views that I have personally from working in the  
19 business for fifteen (15) years, but it's never going  
20 to be heard unless it's actually coming from those  
21 people.

22                   It's -- it -- I'm -- no, I won't say  
23 that it's not been heard, it's hard to believe unless  
24 you're actually hearing it from the people that need  
25 to use our services, or want to use our services,

1 because they don't want to go to the bank. They don't  
2 want to go through the rigamarole.

3                   When we get our credit card statements,  
4 on the back of it, it tells us, If you're only making  
5 a minimum payment, it's going to take you a hundred  
6 and twenty-five (125) years to pay off that credit  
7 card. Is that -- is that a good thing to perhaps  
8 force our customers into getting into, because a lot  
9 of them don't have the credit cards, otherwise they  
10 wouldn't be coming to us. Or they don't have the --  
11 the limit available on their credit card, and that's  
12 why they're coming to us.

13                   But so many of our customers, they have  
14 their car payments, they've got their mortgage  
15 payments, they've got their rent payments. And  
16 sometimes something does come up, and they need the  
17 money, and that's why they do come to us, and that's  
18 why the service is available. And that's why the  
19 service is so readily accepted by the general public.

20                   MS. ANITA NEVILLE: Can you -- from  
21 your experience, and I don't know whether this is  
22 fair, can you anticipate what portion of your  
23 customers go from you to either internet lender or  
24 across the street to someone else?

25                   MS. JANET DAVIS: I would say because

1 of the waiting period, I would guess at 50 to 60  
2 percent of our customers will have to use another  
3 payday lender, because they can't wait that seven (7)  
4 or eight (8) days. They don't want to.

5                   So many people say, We would much  
6 rather come see you, or -- or, I'm sure the other  
7 payday loan companies get it that you know what, we  
8 like the way you guys are. We'd much rather come see  
9 you guys, but we are forced to -- to use another  
10 lender. And I could be guessing high, I could be  
11 guessing low. It's hard for us to watch who does walk  
12 directly across the street to the other payday lender,  
13 but we do see a good portion.

14                   And can tell by -- we can tell by their  
15 bank account statements when we review them, because  
16 we do want to see their pay is going into their  
17 account. Like, we're -- but I would say 50 to 60  
18 percent is probably right around the ballpark or -- or  
19 maybe even a little bit low, but the majority of our  
20 customers are being forced now.

21                   And -- and being in the industry when  
22 the regulations came into effect, being in the  
23 industry before there was -- when they were just a  
24 rumble, it's -- it's noticeably a lot higher now than  
25 it was before.

1 MS. ANITA NEVILLE: One (1) last  
2 question.

3 MS. JANET DAVIS: Sure.

4 MS. ANITA NEVILLE: Can you -- what  
5 kind of advertising do you do, and could you elaborate  
6 on the restrictions on what you --

7 MS. JANET DAVIS: Okay. First of all  
8 we do pens. And we have to make sure that the -- to  
9 learn more about your rights as a payday loan  
10 borrower, contact the Consumer Protection office at  
11 phone numbers, toll-free numbers, and website.

12 MS. ANITA NEVILLE: That's mandatory?

13 MS. JANET DAVIS: That's mandatory, on  
14 our pens, on our calenders, on any, perhaps, roadside  
15 signs that we put out, any advertising in the  
16 phonebook, online, basically anything that we  
17 advertise. And what I found out now, anything we  
18 advertise our name on constitutes advertising a payday  
19 loan and that statement has to be on there, and it has  
20 to be as easily readable as the advertisement itself.

21 That, this year, has caused us to have  
22 to increase the size of our yellow pages ad, which, as  
23 everybody knows, isn't cheap. You know, it adds a  
24 cost onto us there. A roadside sign, eighty dollars  
25 (\$80) per side to have that magnetic statement on, and

1 then to find out that it's not big enough. So then we  
2 have to take down the sign, which, of course, then  
3 that hundred and sixty dollars (\$160) to -- in  
4 addition to the cost of the sign is really all for  
5 naught, and it's difficult.

6                   It's additional costs added on to each  
7 and every business, each and every payday loan  
8 company, each and every store. That isn't  
9 recoverable, yeah.

10                   MS. ANITA NEVILLE: Thank you.

11                   MS. JANET DAVIS: Okay, you're  
12 welcome. Thank you.

13                   MS. SUSAN PROVEN: I -- going. I just  
14 want to know about the reverse traffic that might come  
15 from an internet lender, because we read in the  
16 materials that often, the internet lender had to use a  
17 storefront operation to actually get the cash into the  
18 person's hands.

19                   MS. JANET DAVIS: Okay.

20                   MS. SUSAN PROVEN: At least, I thought  
21 I had read that.

22                   MS. JANET DAVIS: Okay.

23                   MS. SUSAN PROVEN: Because, of course,  
24 they have to get it somehow. And if they were  
25 operating properly and not wanting your banking

1 details, they would want to give the customer the cash  
2 in the format that the customer wants it, which I also  
3 read was on a card, a -- a money card that you would  
4 issue. Is that right?

5 MS. JANET DAVIS: We personally don't  
6 deal with the online lending at all --

7 MS. SUSAN PROVEN: Okay.

8 MS. JANET DAVIS: -- like, The Money  
9 Tree or anything.

10 MS. SUSAN PROVEN: I know -- I know  
11 you don't --

12 MS. JANET DAVIS: Yeah.

13 MS. SUSAN PROVEN: -- advertise or --  
14 or do anything on the internet. I'm not suggesting  
15 that.

16 MS. JANET DAVIS: Right.

17 MS. SUSAN PROVEN: But --

18 MS. JANET DAVIS: Okay.

19 MS. SUSAN PROVEN: -- what I was  
20 reading was that very few of the people receive cash  
21 when they walk into a so-called cash store, which is  
22 kind of ironic. But I think we understood that a lot  
23 of the time, the -- the money is given to the customer  
24 in the form of a plasticized card, which they could  
25 then use. Is that the case?



1 MS. JANET DAVIS: I don't think that's  
2 happening very much now.

3 MS. SUSAN PROVEN: Okay.

4 MS. JANET DAVIS: With the -- to my  
5 understanding, when a customer applies for a loan  
6 online, and maybe somebody else can help me out with  
7 this, the funds are directly deposited to their bank  
8 account.

9 MS. SUSAN PROVEN: So they don't need  
10 to go to a -- a store?

11 MS. JANET DAVIS: They don't need to  
12 go to a physical store anymore.

13 MS. SUSAN PROVEN: Okay.

14 MS. JANET DAVIS: In the days of --  
15 and I can speak from this personally, because I did  
16 work for the company. In the days of instant loans  
17 and the cash store, that is where a lot of the  
18 additional fees were incurred to the customer.

19 MS. SUSAN PROVEN: Right.

20 MS. JANET DAVIS: They had to pay  
21 thirty-five (35) or forty dollars (\$40) for the card.  
22 They had to pay fees to withdraw the funds from the  
23 card. And, unfortunately, it was those stores that  
24 were making it mandatory.

25 And I think -- I know earlier I had

1 seen that in 2008 or 2009, the average cost of doing a  
2 payday loan was twenty-six (26) or twenty-seven  
3 dollars (\$27) per hundred here in Manitoba. In all  
4 honesty, I believe that that's where that came from,  
5 was by the customers being forced to put the -- the  
6 money on the card. Not only that, it -- it was those  
7 companies that were insisting that they have the loan  
8 protection insurance and all that. And each and every  
9 penny for that was added onto the top of the loan. So  
10 they were paying their fees on that.

11 I know when -- when I was working for  
12 them and -- and I would -- as an area manager, I would  
13 occasionally phone around to other customers -- or to  
14 other companies to see what they were charging and --  
15 and stuff like that and -- and what the requirements  
16 were, the average payday loan company in Manitoba at  
17 that time was around twenty (20) or twenty-one dollars  
18 (\$21).

19 So I do believe that that's where we  
20 look at that twenty-six (26) or twenty-seven dollars  
21 (\$27) back in 2008 or 2009. I think that a lot of  
22 that is what it had to do with, but I think I can be  
23 safe in saying now, even with the online loans, that  
24 the money is directly deposited into the bank account.  
25 And there really isn't a lot of those cards happening

1 nowadays.

2 THE PANEL CHAIRPERSON: Well, thank  
3 you very much, Ms. Davis, for coming and speaking with  
4 us and informing us. We really appreciate that.

5 MS. JANET DAVIS: Thank you very much  
6 for the opportunity once again.

7

8 (BRIEF PAUSE)

9

10 THE PANEL CHAIRPERSON: Now I'd like  
11 to welcome Melissa Soper. Am I correctly saying your  
12 name, or --

13 MS. MELISSA SOPER: Yes, that's  
14 correct.

15 THE PANEL CHAIRPERSON: From Cash  
16 Money --

17 MS. MELISSA SOPER: Yes.

18 THE PANEL CHAIRPERSON: -- to give a  
19 presentation on behalf of Cash Money.

20

21 PRESENTATION BY CASH MONEY:

22 MS. MELISSA SOPER: Terrific. Thank  
23 you. Good afternoon, members of the Public Utilities  
24 Board. My name is Melissa Soper, head of public  
25 affairs for Cash Money. Cash Money is a non-bank

1 provider of consumer financial services including  
2 short-term loans, commonly called payday loans.

3                   We have four (4) locations in Manitoba  
4 and a hundred and eighty-five (185) locations across  
5 Canada. We employ more than fifteen hundred (1,500)  
6 people nationally, and we've been operating in Canada  
7 for twenty-four (24) years. We also have operations  
8 in the US and the UK, both retail storefronts, and  
9 online.

10                   We understand the purpose of the  
11 hearing is to consider a reduction in the maximum cost  
12 of borrowing and a reduction in the maximum amount  
13 lent. The need for short-term credit in Manitoba is  
14 real. Consumers need legitimate, easy-to-access  
15 choices in short-term credit.

16                   Five million adults have a FICO score  
17 under six forty nine (649) as reported by Equifax to  
18 the Financial Consumer Agency of Canada. This means  
19 many consumers cannot qualify for small-dollar loans  
20 with banks or credit unions.

21                   So where should these consumers go to  
22 handle an unexpected expense? Here in Manitoba, the  
23 only legal, viable consumer option for small-dollar  
24 credit is payday. So let me take a moment to explain  
25 what a payday loan is and how much it costs both

1 customers and us as a lender.

2           To get a payday loan, a customer  
3 provides proof of income, proof of an open chequing  
4 account, and a form of ID. And the cost is a one (1)  
5 time flat fee with no compounding interest.

6           The legal maximum is seventeen dollars  
7 (\$17) per one hundred (100), and the loan lasts until  
8 the next payday, usually two (2) or four (4) -- two  
9 (2) to four (4) weeks when the borrower pays it off.

10           That seventeen dollar (\$17) fee enables  
11 the lender to cover rent, payroll, operating expenses,  
12 and our cost of capital, and earn a reasonable profit.

13           Here is how the costs break out on  
14 average for our four (4) Cash Money stores here in  
15 Manitoba. Nearly 54 percent pays for store costs such  
16 as rent, utilities, salaries, and benefits.  
17 Approximately 25 percent covers our loss rate for bad  
18 loans. A little more than 12 percent goes to  
19 corporate and other centralized expenses like  
20 technology and centralized collections. And about 8  
21 percent pays for our cost of borrowing money, or our  
22 cost of capital.

23           These costs amount to an -- about 99  
24 percent of our total revenue -- 99 percent of our  
25 total revenue. That leaves us 1 percent in profit for

1 our Manitoba operations.

2                   One (1) important note on what I just  
3 shared with you: You heard 25 percent covers our loss  
4 rate for bad loans, and that may sound high. That's  
5 25 percent of our revenue, not 25 percent of the total  
6 principle loaned. So let me make clear our default  
7 rate in a much simpler way. Ultimately, we do not  
8 collect on about one (1) in fifteen (15) loans.

9                   So I just outlined our costs, which  
10 leaves us with about 1 percent of revenues as profit.  
11 A reduction in the Manitoba rate to fifteen dollars  
12 (\$15) per one hundred (100) loaned would represent an  
13 almost 12 percent reduction in revenue. At this -- at  
14 this rate, our Manitoba stores would not generate a  
15 profit.

16                   When you look at the small-dollar  
17 short-term credit products offered by banks and credit  
18 unions, it's clear why payday loans make personal and  
19 financial sense for many people.

20                   A payday loan is often the least  
21 expensive dollars-and-cents option when compared to  
22 the higher costs of bouncing a cheque, incurring late  
23 payment penalties, or reconnection fees.

24                   At RBC, here in Manitoba, the NSF  
25 charge is forty-five dollars (\$45). At TD Canada

1 Trust, the NSF charge is forty-eight dollars (\$48). A  
2 hundred day -- a hundred dollar Payday Loan has a fee  
3 of seventeen dollars (\$17), so what's the better  
4 option? These are the real -- the types of real  
5 choices that our customers make every day.

6 I'm sorry, was there a question?

7 MR. DARREN CHRISTLE: No.

8 MS. MELISSA SOPER: Okay, thank you.

9 We have deliberated over whether to continue  
10 operations here in Manitoba. At this time, we've made  
11 the decision: Keep our stores open as part of our  
12 national brand strategy, despite our negligible  
13 returns.

14 In 2013, we operated five (5) stores.  
15 We closed one (1) in 2014 when the store lease came up  
16 for renewal, and of our remaining four (4) stores, one  
17 (1) store lease has since come -- since come up for  
18 renewal and we've renewed on a month-to-month basis in  
19 order to reevaluate our ability to continue operations  
20 here in Manitoba.

21 In all other jurisdictions, we seek  
22 long-term store leases in order to recoup our store  
23 build out costs, typically ten (10) years in duration.  
24 Over the last two (2) years, we've opened about forty-  
25 five (45) locations across Canada. None of these new

1 locations were here in Manitoba as a result of the  
2 impact of the current regulations on our ability to  
3 operate profitably.

4                   Over the last several years, we've seen  
5 National Cash Advance, Mogo, and other storefronts  
6 leave the Manitoba market. As I shared with you  
7 earlier, in calendar 2015, our four (4) man --  
8 Manitoba locations yielded a profit of just 1 percent  
9 of our revenues. If any further changes to the  
10 regulations are adopted, it would no longer make sense  
11 for us to operate in Manitoba, and our twenty-six (26)  
12 employees would be without employment.

13                   Further reducing the maximum amount a  
14 customer may borrow harms the very people you aim to  
15 protect. Remember, customers seek short-term loans  
16 because they have a specific issue that they need to  
17 resolve. If they're not able to borrow enough from a  
18 regulated lender, they can and will seek it elsewhere,  
19 including unlicensed online lenders that may be  
20 operating offshore or outside of the existing  
21 regulations.

22                   The current maximum of 30 percent of  
23 net pay is far lower than anywhere else in the  
24 country. Customers do frequently tell our staff that  
25 they need to visit another lender to get the



1 additional amount they need. We often see their bank  
2 statements to verify that they have an open bank  
3 account, and we can see other lender names on the bank  
4 statement.

5                   Currently to determine a loan amount,  
6 we are required to use a customer's monthly net income  
7 from the pervious month. We have to annualize this  
8 amount, then calculate the biweekly net income. So if  
9 an average monthly net income for a customer is two  
10 thousand dollars (\$2,000), if we annualize that number  
11 and divide by twenty-six (26) pay periods in a year,  
12 that's nine hundred and twenty-three dollars (\$923)  
13 biweekly. A maximum loan amount of 30 percent, this  
14 customer can only borrow up to two hundred and  
15 seventy-six dollars (\$276).

16                   Two hundred and seventy-six dollar  
17 (\$276) loan is actually only about 14 percent of a  
18 customer's monthly net pay. Even customers have  
19 pointed out to us that it's not 30 percent of their  
20 pay, and then we have a very long, complicated  
21 explanation of how we're required to calculate it.

22                   So if you were to change this maximum  
23 loan amount from 30 percent to 25 percent, under the  
24 process we're required to follow to calculate the  
25 maximum loan amount, that same customer earning two

1 thousand (2,000) in net monthly income would only be  
2 able to borrow up to two hundred and thirty dollars  
3 (\$230), which is 11 1/2 percent of their monthly net  
4 income.

5                   Customers often seek short-term loans  
6 because their income fluctuate from month to month,  
7 where their expenses do not. Our customers are  
8 acutely aware what they need to meet their  
9 obligations, or avoid more costly late or reconnection  
10 fees, so I would ask you that you consider this real  
11 example.

12                   The average monthly bill from Manitoba  
13 Hydro for electric and natural gas for a family of  
14 four (4) is about two hundred and fifty dollars (\$250)  
15 a month. It can run up to about four hundred dollars  
16 (\$400) a month in the winter months. If a customer  
17 falls into arrears and their service is disconnected,  
18 Manitoba Hydro will charge them a reconnection fee of  
19 fifty (50) to sixty-five dollars (\$65) depending on  
20 whether it's during normal work hours or after hours.

21                   Assuming the customer's cheque for  
22 their Hydro bill bounced, a forty-five dollar (\$45)  
23 bank fee would bring the customer's total costs,  
24 including bank fees and reconnection fees, to ninety-  
25 five (95) to a hundred and ten dollars (\$110) for

1 being in arrears on a monthly Hydro bill of just two  
2 hundred and fifty dollars (\$250).

3 In comparison, the cost of the payday  
4 loan for two hundred and fifty dollars (\$250) would be  
5 forty-two fifty (42.50). So again, that forty-two  
6 fifty (42.50) compares to bank fees and reconnection  
7 fees of ninety-five (95) to a hundred and ten dollars  
8 (\$110).

9 Even if the customer could not pay the  
10 payday loan on their next pay date, the additional  
11 default fees and interest for another thirty (30) days  
12 past due, a total of eleven dollars and twenty-five  
13 (\$11.25), still only brings the total payday loan cost  
14 for this two hundred and fifty dollar (\$250) loan to  
15 fifty-three dollars and seventy-five cents (\$53.75)  
16 compared to the ninety-five (95) to a hundred and ten  
17 dollars (\$110) in fees they would incur with Manitoba  
18 Hydro.

19 So once again, these are the real life  
20 choices our customers make. Customers seek our  
21 services because they have an issue that they need to  
22 resolve. They have calculated their specific need and  
23 are seeking a loan for just that amount.

24 Further reducing the maximum amount  
25 they can borrow will force even more customers to seek

1 a solution elsewhere and this would likely be online  
2 with unlicensed lenders. We do not lend online in  
3 Manitoba, because it is not profitable to do so with  
4 the current regulations.

5                   We do lend online in five (5) other  
6 provinces. And our online volume in those five (5)  
7 provinces over the last three (3) years time has grown  
8 by 245 percent. This clearly demonstrates that  
9 consumers will use online lenders for small dollar  
10 loans.

11                   We do capture job titles in our point-  
12 of-sale system and you would be surprised by the  
13 breadth of people that choose to use our service. In  
14 reviewing our customers in the last quarter of 2015  
15 alone, occupations included teachers, nurses, social  
16 workers, and accountants, as well as many skilled  
17 trades like plumbers, electricians, welders,  
18 carpenters, painters, and mechanics.

19                   Forgetting that consumers will seek the  
20 amount they need to borrow elsewhere, a reason you  
21 might be considering reducing the maximum loan amount  
22 is to safeguard a consumer from becoming over  
23 indebted.

24                   First, it's not uncommon -- uncommon  
25 for a customer to have an unexpected situation which

1 prevents them from being able to repay their loan on  
2 the due date. Roughly one (1) in five (5) customers  
3 will phone our store and ask us not to debit their  
4 account for repayment on the loan for a few additional  
5 days.

6                   There are times when we might do this  
7 to the customer for up -- up to fourteen (14) days  
8 past their original due date at no additional cost.  
9 We do this as a service to our customer and to prevent  
10 their loan from going into default, something I'm sure  
11 an unlicensed lender would not do.

12                   Second, if a customer's loan goes into  
13 default our customer service agents are empowered to  
14 make other payment arrangements, like offering  
15 flexible repayment terms. Of the customers that  
16 defaulted on their loan last calendar year, we made  
17 alternate payment arrangements with 46 percent of  
18 them.

19                   We understand that our customer's  
20 monthly income and expenses can be fluid and we, like  
21 many other storefront licensed lenders here try our  
22 best to work with our customers.

23                   On these many loans that we provide a  
24 flexible repayment terms for, our cost of capital far  
25 exceeded the allowable default fees and default

1 interest. By regulation, we're only able to pass  
2 along the five dollar and seventy cent (\$5.70) default  
3 fee levied on us by our bank.

4                   This is the lowest allowable default  
5 fee across Canada. Other provinces range from twenty  
6 (20) to fifty dollars (\$50) and banks themselves  
7 charge on average forty-five dollars (\$45) for  
8 returned cheques.

9                   Also by regulation we may charge a  
10 customer 2 1/2 percent per month of the defaulted loan  
11 amount. That's six dollars and twenty-five cents  
12 (\$6.25) in default interest on a two hundred and fifty  
13 (\$250) loan for each thirty (30) days the loan is in  
14 arrears.

15                   This rate doesn't come close to  
16 covering our administrative costs of handling a loan  
17 in arrears or our cost to capital for that extended  
18 period of time. As I noted earlier, ultimately, one  
19 (1) in fifteen (15) loans are never paid back. For  
20 these customers that never pay us back, we have no  
21 recourse and we do not take them to small claim's  
22 court. We are simply out the money and they simply  
23 can't borrow from us again.

24                   Unworkable rate crops harm consumers.  
25 Eliminate -- they eliminate legitimate options for

1 thousands of people who need short-term credit. A  
2 lower rate cap will force them to chose either  
3 costlier or unregulated alternatives. The reality is  
4 eliminating legitimate options for short-term credit  
5 will not eliminate the demand.

6 Consumer interests are not served by  
7 regulations, laws, or artificial barriers where  
8 business models can't be sustained and credit products  
9 are not available in the marketplace. Consumers are  
10 best served when they have a range of choices that  
11 allows them to decide which is -- which is best for  
12 their individual situation.

13 If the maximum rate is lowered from  
14 seventeen (17) or any other restrictions are imposed,  
15 we will not be profitable after twelve (12) years  
16 operating in Manitoba specifically. Thank you for the  
17 opportunity to address the Board and we hope that you  
18 put consumer's needs for a legitimate, licensed, and  
19 regulated credit at the forefront of your decision.

20 So I'm happy to take any questions.

21

22 QUESTION PERIOD:

23 MR. REGIS GOSSELIN: Your stores are  
24 located where, the -- the existing stores?

25 MS. MELISSA SOPER: They are generally

1 in the Winnipeg area.

2 MR. REGIS GOSSELIN: Could you be more  
3 specific about where they are? I mean, I could  
4 probably dig through the material and find it, but I'm  
5 just intrigued as to where you're located -- your  
6 stores are located?

7 MS. MELISSA SOPER: You can find them  
8 anywhere from a ten (10) to a twenty-five (25) minute  
9 drive time from probably here.

10 MR. REGIS GOSSELIN: Okay. Now, you  
11 said -- you made a statement to the effect that you do  
12 not do online loans because they're not profitable.  
13 And I was surprised by that statement, because you  
14 wouldn't have very many costs associated with that  
15 service in relation to a storefront operation.

16 So why is it that an online loan is not  
17 profitable?

18 MS. MELISSA SOPER: So we don't lend  
19 online in Manitoba, but we do lend online in other  
20 provinces. The Manitoba regulations are so  
21 restrictive that our storefronts are marginally  
22 profitable, and we're not sure that our online  
23 operation would be profitable.

24 When you build out a website compliant  
25 with the local regulations and you have to do search



1 engine optimization and search engine marketing, all  
2 of those costs are very high. So looking at the  
3 current kind of margins available here in Manitoba,  
4 we're not able to offer an online product.

5 MR. REGIS GOSSELIN: Now, the data  
6 that you provided to us with respect to bad loans  
7 experience of 25 percent is high relative to some of  
8 the other information that's been provided to us. And  
9 I'm surprised that it would be so high.

10 Could you explain why it's 25 percent?

11 MS. MELISSA SOPER: So when you look  
12 at last calendar year and you divide up our revenues,  
13 25 percent of our revenues went to bad debt. That is  
14 not 25 percent of the loans, of the loan principle,  
15 that is 25 percent of the revenue. Actually, only one  
16 (1) in fifteen (15) on average loans go -- never get  
17 repaid.

18 So a lot of people hear 25 percent and  
19 they think it's of the -- of the principle loaned.  
20 It's not, it's of the revenue.

21 MS. SUSAN PROVEN: Well, I'm -- I'm  
22 interested in the fact that consumers have asked to be  
23 able to borrow more than that third of their net pay.  
24 I'm wondering what you would think if that rate was  
25 made higher and they could get more money out of their

1 net pay, but they would go to an installment plan.

2                   Because we heard mention from CPLA that  
3 they thought maybe people could manage something  
4 larger if it was over the course of say, you know, six  
5 (6) months. What do you think about that?

6                   MS. MELISSA SOPER: I think it would  
7 depend on what the rates -- what you could charge on  
8 an installment loan would be, because one (1) of our  
9 large costs is also the cost of capital.

10                   So when you take a two (2) to four (4)  
11 week loan and you extend it over several months,  
12 that's an increased cost in capital of us -- for us.  
13 And our cost of capital is typically in the double  
14 digits.

15

16                   (BRIEF PAUSE)

17

18                   THE PANEL CHAIRPERSON: I just have  
19 one (1) question. I was wondering, in terms of the  
20 online loans, can Manitobans access an online loan  
21 from your company outside of -- like, if it's in  
22 Ontario, can they take an online loan through your  
23 company from Ontario?

24                   MS. MELISSA SOPER: No, they cannot.

25                   THE PANEL CHAIRPERSON: Okay. Thank

1 you. Okay, I think that's all our questions for  
2 today. So thank you very much for, again, your  
3 informative presentation.

4 MS. MELISSA SOPER: Good. Thank you.

5

6 (BRIEF PAUSE)

7

8 THE PANEL CHAIRPERSON: Okay, we have  
9 one (1) last presentation this afternoon, And that is  
10 Mr. Ron Shemley. And he is a -- a citizen who would  
11 like to give a presentation to this hearing.

12 Mr. Shemley...?

13

14 PRESENTATION BY MR. RON SHEMLEY:

15 MR. RON SHEMLEY: Yes, I'm here to  
16 complain about one (1) particular loan company. I  
17 might add, I use three (3). The other two (2), if you  
18 want me to mention names, if I'm allowed to...

19 THE PANEL CHAIRPERSON: Yes, you are.

20 MR. RON SHEMLEY: Okay. I use Money  
21 Mart, I use Cash Money, and I use Xtra Cash. The  
22 first two (2) have treated me nothing but great since  
23 I started using them. Xtra Cash has just totally  
24 brought me down every time I go in there right from  
25 day 1.

1                   The first time I talked to the  
2 management there, she wanted ID. I only ID I've got  
3 is my pic -- well, picture ID is my Department of  
4 National Defence and my bus ticket, my bus card. She  
5 just about made me get down on my hands and knees  
6 because my military ID did not look at me -- look like  
7 me. I said, Yeah, well, I didn't have the long hair  
8 even or anything like that.

9                   But it's been nothing but a struggle  
10 every time I go in. It's either I don't have last  
11 month's bank statement. I understand that part, but  
12 now it's every time I go she wants last month's bank  
13 statement.

14                   I'm a pensioner, by the way. I don't  
15 get a military pension either. And not only does she  
16 want the last month's bank statement, she wants the  
17 last ten (10) days.

18                   And -- and the last time I went there -  
19 - I haven't done it since, I haven't been near her --  
20 I had two dollars and fifteen cents (\$2.15) in my  
21 pocket, enough to get me to downtown to the bank.

22                   I got the ten (10) day statement, came  
23 to her, and I had not last month's statement, the  
24 month previous. She refused that. Luckily, the bus  
25 transfer was good. I went all the way from Portage

1 West to the bank on Portage and Main, managed to get  
2 my month's bank statement, made it back. By this  
3 time, my transfer was no good.

4                   To make a long story short, I did get  
5 the money. But right till the last minute -- and I  
6 used this walker. Just getting to that particular  
7 place is hard for me because it's -- it's about a  
8 block distance, so it was a struggle.

9                   And at the end, it was down to if she  
10 refused me this time, I was going to call the police  
11 just to get a ride home. There was no other way I  
12 could do it.

13                   Fortunately, she saw it through, but  
14 it's been nothing but problems with that particular  
15 company. I said Money Mart and Cash Money are  
16 excellent with me, and I re -- and I use them every  
17 month. I rely on them.

18                   Even using them, at the end of the  
19 month I'm -- I'm -- I've a -- a one (1) week stretch  
20 to do without a smoke or a beer or whatever. So it's  
21 -- even with them, I -- I have a hard time every  
22 month. And it was just that one (1) company that I'm  
23 upset with.

24                   And by the way, talking about interest  
25 charges and stuff, my brother lives in Edmonton, and

1 he uses these companies. And when I tell him what I  
2 pay, he flips out. Only that much? Only that much?

3 So I thank you guys for regulating the  
4 limit on interest and that. And that's it.

5

6 QUESTION PERIOD:

7 THE PANEL CHAIRPERSON: Okay. Thank  
8 you very much. I'll open it up to the panel for  
9 questions.

10 MS. SUSAN PROVEN: I -- I was just  
11 going to ask, Mr. Shemley, you said that you're very  
12 pleased with Money Mart and the Cash Money. Why don't  
13 you just go to those two (2)? Do you have to go to  
14 this other one? What happens that you have to go to  
15 the one you don't like?

16 MR. RON SHEMLEY: Because my bank  
17 statement, ten dollars (\$10) or twelve dollars (\$12) a  
18 day for cigarettes, a hundred -- three hundred and  
19 sixty five (365) days a year or -- or one month,  
20 that's -- figure it out for one (1) pack of smokes a  
21 month (sic).

22 My rent is six hundred and twenty-five  
23 (625), my Shaw runs about a hundred and forty (140),  
24 and the rest is -- and I don't use the slot machines  
25 or anything. I buy the odd six forty-nine (649), so I

1 don't gamble.

2 MS. SUSAN PROVEN: I -- I guess I'm  
3 just trying to figure out, you mean you do use the  
4 other two (2), but you have to use three (3) stores to  
5 get enough money for the month? Is that what you're  
6 saying?

7 MR. RON SHEMLEY: And I'm short at the  
8 end of the month, but --

9 MS. SUSAN PROVEN: And you're still  
10 short?

11 MR. RON SHEMLEY: Yeah, but now I've  
12 stopped using that one, and I've got an overdraft at  
13 the bank which has helped out. So -- but it's still a  
14 struggle.

15 MS. SUSAN PROVEN: Yeah. How much do  
16 they allow you to take at one time? Like what would  
17 the amount be that you are borrowing from --

18 MR. RON SHEMLEY: Two -- two thirty-  
19 four (234). That's including their charges.

20 MS. SUSAN PROVEN: That's what Money  
21 Mart would give you, two thirty-four (234)?

22 MR. RON SHEMLEY: Money Mart and Cash  
23 Back. And -- and they're all --

24 MS. SUSAN PROVEN: Yeah, and the other  
25 --

1 MR. RON SHEMLEY: Yeah. They're all --

2 MS. SUSAN PROVEN: -- three (3).

3 MR. RON SHEMLEY: -- the same.

4 MS. SUSAN PROVEN: The three (3) of  
5 them give you that.

6 MR. RON SHEMLEY: So I'm putting out  
7 about seven hundred (700) a month just to pay them  
8 back on top of my rent and -- but I need it. Honest,  
9 I need it. I just come from the food bank before I  
10 got here. I didn't think I'd make this meeting, so --

11 MS. SUSAN PROVEN: Right. Okay.  
12 Thank you.

13 MR. RON SHEMLEY: Sixteen (16) years  
14 in the Navy, by the way.

15 THE PANEL CHAIRPERSON: Yes, I -- I  
16 have just one (1) question. I was curious how -- like  
17 not very many citizens actually ever come to present.  
18 It's usually people from all over. How did you hear  
19 about these hearings?

20 MR. RON SHEMLEY: It was in the paper  
21 twice in a couple of months, and this was bothering me  
22 so much I phoned their headquarters in Ontario twice.  
23 Left a message with the receptionist. Never got back.  
24 And it was just boiling. This lap -- last episode  
25 just -- I said, I got to do something. I told her



1 before I was going to. Well, go ahead. Talk to your  
2 aldermen. Talk to your counsellor.

3                   What -- what I'd like to know is why  
4 this ten (10) day bank thing -- she wants after the  
5 month she wants another ten (10) days proof. I mean,  
6 my pension and that doesn't change.

7                   THE PANEL CHAIRPERSON:    Okay. And I -  
8 - I guess -- I really appreciate that you took the  
9 time and saw the ad, and responded to it because as I  
10 say that's not very common. And so that -- that's a  
11 wonderful initiative on your part to come here and  
12 speak.

13                   I have a couple of other questions. If  
14 -- for example you're using three (3) different  
15 places. Why -- why do you have to go to three (3)  
16 different -- three (3) different Money Marts or Payday  
17 Loan -- lenders rather than stick with one (1)? I  
18 guess what would be the rationale for you --

19                   MR. RON SHEMLEY:    Because I'm only  
20 allowed two hundred dollar (\$200) at each one. So I  
21 don't have a choice.

22                   THE PANEL CHAIRPERSON:    No they --

23                   MR. RON SHEMLEY:    I'm hoping Money  
24 Mart can hep me because they got a different thing  
25 going now where you can get a term loan, which would

1 make a difference. I wouldn't have to use any of them  
2 after.

3 THE PANEL CHAIRPERSON: Okay. Thank  
4 you very much. Okay, one (1) more question.

5 MS. ANITA NEVILLE: I, too, want to  
6 commend you on coming and taking the initiative. And  
7 now that you're here, do you have any recommendations  
8 for us as we're considering this issue?

9 MR. RON SHEMLEY: No, just keep an eye  
10 on them.

11 MS. ANITA NEVILLE: Okay. Thank you.

12 MR. RON SHEMLEY: Thank you, Board.

13 THE PANEL CHAIRPERSON: That ends our  
14 presentations for this afternoon. Thank you very  
15 much. Now I think, Mr. Williams, I'm going to call  
16 upon you. I believe you have some -- would you rather  
17 have a break at this point, or...

18 MR. BYRON WILLIAMS: If I could -- if  
19 I could suggest. We have a bit of person shuffling to  
20 do, if -- so perhaps if we had the coffee break right  
21 now and then we could be ready to go in fifteen (15)  
22 minutes or so.

23 THE PANEL CHAIRPERSON: Okay. We'll  
24 have a fifteen (15) minute coffee break, and then  
25 we'll begin our evidence.

1 --- Upon recessing at 2:14 p.m.

2 --- Upon resuming at 2:38 p.m.

3

4 THE PANEL CHAIRPERSON: Sorry for the  
5 delay, but we're ready to go now. We've got all our  
6 documents. And I'm going to call upon Mr. Byron  
7 Williams to introduce his witnesses, and then they're  
8 going to be sworn in by Mr. Christle.

9 MR. BYRON WILLIAMS: Thank you, and  
10 good afternoon, members of the panel. I'll be  
11 presenting these witnesses along with Ms. Dilay. I'll  
12 present three (3) witnesses, and she'll present Dr.  
13 Simpson.

14 Just before we introduce the witness  
15 and -- and get their material -- get them sworn, I  
16 wonder if just for housekeeping purposes you may have  
17 been -- received a fair bit of paper.

18 So there is a -- a slender document  
19 called an Outline of Consumer Coalition Evidence.  
20 That could be marked as Exhibit 31.

21

22 --- EXHIBIT NO. CAC-31: Document called Outline of  
23 Consumer Coalition  
24 Evidence

25

1                   MR. BYRON WILLIAMS:    And that's just -  
2 - I hope it will help our friends in cross-examination  
3 remembering which evidence the individual is  
4 responsible for and -- and help you follow the plot.  
5 And then I direct you to two (2) plain white enve --  
6 presentations by Dr. Buckland. Exhibit 32 would be  
7 the summary of the literature and Exhibit 33 we would  
8 suggest would be from Focus Group 2.

9

10 --- EXHIBIT NO. CAC-32:       Summary of the literature

11

12 --- EXHIBIT NO. CAC-33:       From Focus Group 2

13

14                   MR. BYRON WILLIAMS:    And then you  
15 should have a document by Dr. Simpson. It's got some  
16 light blue at the bottom of it. It's a survey  
17 evidence on payday loan borrowing. And that would be  
18 marked as Exhibit 34.

19

20 --- EXHIBIT NO. CAC-34:       Survey evidence on payday  
21                                    loan borrowing

22

23                   MR. BYRON WILLIAMS:    Ms. St. Aubin has  
24 a document about consumer experience, which we would  
25 mark as -- sorry, Ms. Neville, do you have your --

1 then there is by Ms. St. Aubin, consumers experience  
2 with payday loans. That would be Exhibit 35.

3

4 --- EXHIBIT NO. CAC-35: Document about consumer's  
5 experience with payday  
6 loans

7

8 MR. BYRON WILLIAMS: And you should  
9 have one with an owl and I won't tell you why the owl  
10 is there, but that would be Exhibit number 36, and I  
11 believe that belongs to Dr. Robinson.

12

13 --- EXHIBIT NO. CAC-36: Three (3) recommendations  
14 by Owl

15

16 MR. BYRON WILLIAMS: And, Madam Chair,  
17 and members of the panel, just to -- there's two (2)  
18 steps to what we're doing. I'll -- I'll certainly ask  
19 Mr. Christle to swear or affirm the witnesses. And  
20 then the first part we'll talk through their  
21 qualifications. And a bit unusually, because it's a  
22 bit of an unusual hearing, we'll present them  
23 individually, but as part of a group we'll let you  
24 know what we're seeking to qualify them in in terms of  
25 their expertise.

1                   It'll obviously be open to the counsel  
2 for the PUB, or the PUB, or Intervenors to ask  
3 questions of them, but we're going to present them in  
4 unison rather than one (1) at a time. We hope it will  
5 be a little more efficient. I'm not making any  
6 promises.

7                   And assuming they're all qualified,  
8 then we'll move into their evidence themselves. And,  
9 Mr. Christle, if the witnesses could be sworn, and  
10 I'll introduce. First to my immediate right, Ms. St.  
11 Aubin. Beside Ms. St. Aubin to her right is Dr.  
12 Buckland with the nice red tie.

13                   The mischievous looking one is Dr.  
14 Robinson. And then Dr. Simpson, who's appeared before  
15 this Board on a number of occasions is by the lectern.

16

17 COALITION PANEL 1:

18                   ZOE ST. AUBIN, Sworn (Qualified)

19                   JERRY BUCKLAND, Sworn (Qualified)

20                   CHRIS ROBINSON, Affirmed (Qualified)

21                   WAYNE SIMPSON, Sworn (Qualified)

22

23 EXAMINATION-IN-CHIEF BY MR. BYRON WILLIAMS AND MS.

24 KATRINE DILAY (QUALIFICATION):

25                   MR. BYRON WILLIAMS:   And, Diana, if we

1 could pull up Dr. Buckland's CV. And just for the  
2 panel's information you'll see what we're seeking to  
3 qualify Dr. Buckland as and I'll remind you of that at  
4 the end.

5 Good afternoon, Dr. Buckland. And,  
6 Diana, if you could pull up the screen just a little  
7 bit to education. Thank you. Dr. Buckland, you --  
8 you received your masters of arts in economics from  
9 Carlton University.

10 Is that correct?

11 DR. JERRY BUCKLAND: That's correct.

12 MR. BYRON WILLIAMS: And a doctor of  
13 philosophy in economics in 1995 from the U of M?

14 DR. JERRY BUCKLAND: Yes.

15 MR. BYRON WILLIAMS: And would it be  
16 accurate to say your specialization was in  
17 developmental economics and the history of economic  
18 thought?

19 DR. JERRY BUCKLAND: That's right.

20 MR. BYRON WILLIAMS: Before moving  
21 onto your current position, could you discuss quickly  
22 for the Board within the field of developmental  
23 economics what role the concept of applied ethics  
24 plays?

25 DR. JERRY BUCKLAND: Yeah. Applied

1 ethics would be where we're looking at ethical issues  
2 in particular social problems or social programs, and  
3 so we're trying to understand what are harms, what are  
4 helps, what are the net outcomes of different social  
5 situations.

6 MR. BYRON WILLIAMS: And is that part  
7 of the discipline of economics that you were trained  
8 in, Dr. Buckland?

9 DR. JERRY BUCKLAND: It's actually a  
10 part of the subdiscipline of development economics.  
11 And I've also been teaching in an area called  
12 international development studies for twenty-three  
13 (23) years, and it's very much embedded within  
14 international development studies.

15 MR. BYRON WILLIAMS: Thank you. In  
16 terms of your current position -- we can scroll down a  
17 little bit, Diana. Thank you. You're a professor of  
18 international development studies at Menno Simons  
19 College?

20 DR. JERRY BUCKLAND: That's correct.

21 MR. BYRON WILLIAMS: And you were dean  
22 of Menno Simons from 2013 through 2015?

23 DR. JERRY BUCKLAND: Yes.

24 MR. BYRON WILLIAMS: And you also  
25 teach economics at the Canadian Mennonite University?



1 DR. JERRY BUCKLAND: I did in the  
2 past. I haven't recently.

3 MR. BYRON WILLIAMS: Okay. And would  
4 it be fair to say that your research in teaching  
5 concentrates on social and institutional ac -- aspects  
6 of economic development?

7 DR. JERRY BUCKLAND: Yes, that would  
8 be a fair description.

9 MR. BYRON WILLIAMS: And in terms of  
10 your specific research interests, they include banking  
11 and poverty, community economics and rural  
12 development?

13 DR. JERRY BUCKLAND: Yes.

14 MR. BYRON WILLIAMS: And would it be  
15 accurate to say that one (1) key aspect of your resear  
16 -- search is in the field of financial inclusion and  
17 its intersection with financial literacy?

18 DR. JERRY BUCKLAND: Yes.

19 MR. BYRON WILLIAMS: In terms of the  
20 Social Sciences and Humanities Research Council, or  
21 SSHRC, you received a grant of -- from -- for the  
22 period from 26 -- 2006 to 2010 of over a hundred  
23 thousand dollars for research on financial exclusion?

24 DR. JERRY BUCKLAND: Yes, that's  
25 right.

1 MR. BYRON WILLIAMS: And that was in  
2 partnership with some other researchers?

3 DR. JERRY BUCKLAND: Yes. I was the  
4 principal investigator.

5 MR. BYRON WILLIAMS: Okay. And you  
6 also received a grant for a three (3) year project  
7 from Canadian Mennonite University, the Dean's  
8 Research Award, to report your research on financial  
9 exclusion from 2006 to 2009?

10 DR. JERRY BUCKLAND: Yes.

11 MR. BYRON WILLIAMS: And, similarly, a  
12 grant from the University of Winnipeg in this research  
13 area?

14 DR. JERRY BUCKLAND: That's right,  
15 yeah.

16 MR. BYRON WILLIAMS: You have written  
17 three (3) books, including one (1) called Hard  
18 Choices: Financial Exclusion and Fringe Banks in  
19 intercity Canada in 2012?

20 DR. JERRY BUCKLAND: Yes, that's  
21 right.

22 MR. BYRON WILLIAMS: Can you tell us a  
23 little bit about -- about what that book discusses?

24 DR. JERRY BUCKLAND: Absolutely.  
25 Well, the book actually endeavoured to bring together

1 a lot of the results that I got from field research  
2 that SSHRC had funded me to do with colleagues that --  
3 that had previous been mentioned.

4                   And so it was drawing on both field  
5 research, looking at financial exclusion in inter  
6 cities in -- in Canada as well as drawing on national  
7 survey results, and -- and then looking both at the  
8 problem as we see it in -- from the academic side in  
9 terms of financial exclusion, but also looking at  
10 possible solutions, ways to address the problem both  
11 in terms of practice, banking practice, and in terms  
12 of policies.

13                   MR. BYRON WILLIAMS:     Dr. Buckland,  
14 without going into specifics quite yet, you've written  
15 numerous book chapters, journal articles, conference  
16 presentations and reports?

17                   DR. JERRY BUCKLAND:     Yes.

18                   MR. BYRON WILLIAMS:     And since 2010  
19 you have written five (5) peer-reviewed articles and  
20 one (1) government contractor report on financial  
21 inclusion in literacy?

22                   DR. JERRY BUCKLAND:     That's right.

23                   MR. BYRON WILLIAMS:     Can you tell us  
24 about any of your recent work, sir?

25                   DR. JERRY BUCKLAND:     Well, one (1) of

1 the recent projects I -- I was involved in I was  
2 contracted by the task force on financial literacy, a  
3 federal government task force, to look specifically at  
4 financial literacy of low-income Canadians.

5                   And what that involved was a literature  
6 review both on measurements and indicators of  
7 financial literacy specifically in regards to low-  
8 income Canadians as well as programs that were  
9 attempting to improve literacy among low-income  
10 Canadians.

11                   So that was a recent project I was  
12 involved in.

13                   MR. BYRON WILLIAMS:    Okay, thank you.  
14 And in terms of -- it's fair to say that you've also  
15 done work on alternative financial services in the nor  
16 -- north end of Winnipeg?

17                   DR. JERRY BUCKLAND:    That's right,  
18 yes.

19                   MR. BYRON WILLIAMS:    Okay. And at a  
20 high level, can you describe what are qualitative  
21 surveys and your experience in this area?

22                   DR. JERRY BUCKLAND:    Yeah. The  
23 research methods have, I think, really changed in the  
24 last thirty(30) to fifty (50) years, whereas thirty  
25 (30) to fifty (50) years ago the predominant approach

1 in social sciences was a quantitative approach. But I  
2 would say in the last thirty (30) or more years,  
3 qualitative methodology has become understood as a  
4 really important insight.

5 My particular focus in research is  
6 what's called a mixed methodology where one draws on  
7 both quantitative and qualitative methods to  
8 understand social problems and -- and social programs.

9 And -- and I'm of the view that it's  
10 both an efficient way to undertake research, and it's  
11 also very effective because it does lead I think to  
12 strong and valid results.

13 MR. BYRON WILLIAMS: Thank you. And  
14 just in terms of this project, you worked on some  
15 research elements in collaboration with Ms. St. Aubin?

16 DR. JERRY BUCKLAND: That's correct.

17 MR. BYRON WILLIAMS: Could you  
18 describe at a high level the collaboration between you  
19 and Ms. St. Aubin?

20 DR. JERRY BUCKLAND: Yes. So Ms. St.  
21 Aubin and I planned out the field research for this  
22 project, and we -- we worked out the specific methods  
23 that we would use. We drafted together the actual  
24 questionnaires, like the methods and how we would  
25 recruit.

1                   And we had some challenges in terms of  
2 recruitment, so we brainstormed on, you know,  
3 recruitment strategies. And so we worked together  
4 quite closely in terms of planning it and then  
5 implementing it. And then Ms. St. Aubin did most of  
6 the analysis and -- and reporting on it.

7                   MR. BYRON WILLIAMS:    Okay. Thank you.  
8 And in terms of expert evidence, you provided evidence  
9 for both previous hearings on payday lending before  
10 the Manitoba Public Utilities Boards, both in 2007/'08  
11 as well as 2013?

12                  DR. JERRY BUCKLAND:    That's correct.

13                  MR. BYRON WILLIAMS:    And you were  
14 qualified expressly as an expert witness in the  
15 hearing in 2007/'08?

16                  DR. JERRY BUCKLAND:    That correct?

17                  MR. BYRON WILLIAMS:    And you were also  
18 qualified as an expert and provided evidence to the  
19 PUB on social and economic factors to consider in  
20 setting government cheque-cashing fees in Manitoba in  
21 '06/'07, correct?

22                  DR. JERRY BUCKLAND:    Yes.

23                  MR. BYRON WILLIAMS:    Okay. Thank you.  
24 We're going to turn to Dr. Simpson with Ms. Dilay and  
25 -- and then work through our witnesses, and then we'll

1 present them for questions at the end, unless the  
2 Board has any now. Please feel free. Like if the  
3 Chairperson --

4 MR. REGIS GOSSELIN: I do have a  
5 question.

6 MR. BYRON WILLIAMS: -- has a question  
7 --

8 MR. REGIS GOSSELIN: I do have a  
9 question, but it's not to disparage your  
10 qualifications at all, but it's really just to  
11 understand the relationship between, say, for example,  
12 economic development and the topic that we're  
13 addressing in this hearing.

14 So I'm -- I'm trying to understand why  
15 you would want to be qualified as an expert on  
16 economic development when we're -- you know, we're not  
17 discussing economic development as far as I know here.

18 But could you -- could you --

19 DR. JERRY BUCKLAND: Yes, absolutely.  
20 So within economics, the discipline of economics, the  
21 principal theoretical approach that really is -- is  
22 the pre -- predominant approach in economics is called  
23 neoclassical economics.

24 And this is a relatively recent  
25 situation since the 1980s. Before that, there were a

1 number of theoretical approaches within economics that  
2 were -- were commonly used, so Keynesian economics,  
3 institutional economics, et cetera. In the last  
4 thirty (30) odd years, it's been principally  
5 neoclassical economics.

6                   Development economics, on the other  
7 hand, which is the -- going to your question, is a  
8 more we -- we say heterodox approach that accepts that  
9 there are different theoretical ways to look at the  
10 world.

11                   And development economics can enable us  
12 to understand the comp -- I believe understand the  
13 complexity of the world by enabling us to look at it  
14 through different theoretical lenses, whether that  
15 lens is in a developing country in the global south or  
16 whether it's in a developing community or marginalized  
17 community in the global north.

18                   MR. BYRON WILLIAMS: Do you require  
19 any follow-up on that, or does that --

20                   MR. REGIS GOSSELIN: No.

21                   MR. BYRON WILLIAMS: That's helpful.  
22 Okay.

23                   MR. REGIS GOSSELIN: Just to  
24 understand --

25                   MR. BYRON WILLIAMS: Yeah.



1                   MR. REGIS GOSSELIN:    -- the relevance  
2 of that particular field of study to the topic at  
3 hand.  And -- and I think that -- I'm getting a sense  
4 of -- a closer understanding of what you're getting  
5 at.

6                   MR. BYRON WILLIAMS:    And, Dr.  
7 Buckland, let me just follow up then for a second  
8 then, if I might.  In terms of the ramifications  
9 specifically of developmental economics for the issues  
10 relating to human and institutional dynamics of payday  
11 lending, how, if at all, does it apply?

12                  DR. JERRY BUCKLAND:    Yeah.  I think  
13 that the -- the economic reality that we see among --  
14 in poor communities and among poor people is -- is  
15 that they -- there are a number of factors that --  
16 that they face.  And -- and so markets are a part of  
17 their reality.  But there are other institutions that  
18 either enable them, provide them opportunities, or  
19 constrain them, prevent them from improving their  
20 well-being.

21                               And so development economics because of  
22 a more heterodox approach, I think, allows us to  
23 understand those both multiple barriers and multiple  
24 opportunities for low income people in low income --  
25 low income communities.

1 MR. BYRON WILLIAMS: Okay. Thank you.  
2 I'll turn it over to My Friend for a moment, or two  
3 (2).

4 MS. KATRINE DILAY: So good afternoon,  
5 Dr. Simpson. So I have a few questions for you. And  
6 we can turn to Dr. Simpson's CV, if possible, which is  
7 also in Appendix G. There we go. So that should be  
8 on your screens there.

9 So, Dr. Simpson, you received your MSC  
10 in economics from the London School of Economics in  
11 1974. Is that correct?

12 DR. WAYNE SIMPSON: Yes.

13 MS. KATRINE DILAY: And you received  
14 your PhD in economics from the London School of  
15 Economics in 1977?

16 DR. WAYNE SIMPSON: That's correct.

17 MS. KATRINE DILAY: And currently  
18 you're a professor in the department of economics at  
19 the University of Manitoba?

20 DR. WAYNE SIMPSON: Yes, I am.

21 MS. KATRINE DILAY: And just to  
22 confirm, you've taught there since 1979. Is that  
23 right?

24 DR. WAYNE SIMPSON: Yes, I have.

25 MS. KATRINE DILAY: And you were also

1 head of the department of economics at the University  
2 of Manitoba from 1997 until 2008. Is that correct?

3 DR. WAYNE SIMPSON: Yes.

4 MS. KATRINE DILAY: If we go onto kind  
5 of before your experience at the U of M, you also  
6 worked as an economic -- economist for the Economic  
7 Council of Canada, Labour Canada, and the Bank of  
8 Canada. Is that right?

9 DR. WAYNE SIMPSON: That's right. A  
10 long time ago.

11 MS. KATRINE DILAY: And apart from  
12 that -- those employment experiences, you've also done  
13 a number of consulting projects and work with a number  
14 of organizations. Is that right?

15 DR. WAYNE SIMPSON: Yes, that's  
16 correct.

17 MS. KATRINE DILAY: Am I right in  
18 saying that you've done at least twenty (20) projects  
19 for outside organizations?

20 DR. WAYNE SIMPSON: I -- I would  
21 accept that, yes.

22 MS. KATRINE DILAY: Okay. And so I'm  
23 just going to go through a few organizations that you  
24 have worked with, and I'll just name them and if you  
25 can confirm that you have worked with them. And those

1 would be listed kind of throughout your -- your CV.

2                   So you've worked with the applied  
3 research branch of Human Resources Development Canada?

4                   DR. WAYNE SIMPSON:    Yes.

5                   MS. KATRINE DILAY:    Income statistics  
6 division of Statistics Canada?

7                   DR. WAYNE SIMPSON:    That's correct.

8                   MS. KATRINE DILAY:    Strategic policy  
9 and planning, Employment and Immigration?

10                  DR. WAYNE SIMPSON:    Yes.

11                  MS. KATRINE DILAY:    Employment equity  
12 data program for Statistics Canada?

13                  DR. WAYNE SIMPSON:    Yes.

14                  MS. KATRINE DILAY:    The innovations  
15 program for Employment and Immigration Canada?

16                  DR. WAYNE SIMPSON:    Yes.

17                  MS. KATRINE DILAY:    The Economic  
18 Council of Canada?

19                  DR. WAYNE SIMPSON:    Yes.

20                  MS. KATRINE DILAY:    The Manitoba task  
21 force on social assistance?

22                  DR. WAYNE SIMPSON:    Yes.

23                  MS. KATRINE DILAY:    Economic and  
24 social policy for Health and Welfare Canada?

25                  DR. WAYNE SIMPSON:    Yeah.

1 MS. KATRINE DILAY: Okay. Then moving  
2 onto the books that you have written which I believe  
3 should be on the next page, if we can turn to that.  
4 So you are the co-author of three (3) books. Is that  
5 right?

6 DR. WAYNE SIMPSON: I'm the co-author  
7 of two (2) of them, and the sole author of the -- of  
8 the middle one.

9 MS. KATRINE DILAY: There we go. And  
10 we can see that on -- on your CV. So just going  
11 through them, the first book is called 'Maintaining a  
12 Competitive Workforce: Employer-Based Training in the  
13 Canadian Economy.' Is that right?

14 DR. WAYNE SIMPSON: Yes.

15 MS. KATRINE DILAY: Another book  
16 you've written is 'Urban Structure in the Labour  
17 Market: Analysis of Worker Mobility, Commuting and  
18 Underemployment in Cities.'

19 DR. WAYNE SIMPSON: Yes.

20 MS. KATRINE DILAY: As well as 'Income  
21 Maintenance, Work Effort, and the Canadian Income  
22 Experiment.'

23 DR. WAYNE SIMPSON: Yes.

24 MS. KATRINE DILAY: Then if we move  
25 onto articles that you have published, would it be

1 accurate to say that you have published more than  
2 forty (40) referred articles in economics and policy  
3 journals?

4 DR. WAYNE SIMPSON: Yes.

5 MS. KATRINE DILAY: In addition,  
6 you've also written numerous research reports, book  
7 chapters, as well as other articles?

8 DR. WAYNE SIMPSON: Yes.

9 MS. KATRINE DILAY: Just if we go  
10 through a few examples, I don't want to name them all,  
11 but a few examples would be a publication entitled 'A  
12 microeconomic analysis of Canadian healthcare  
13 utilization?'

14 DR. WAYNE SIMPSON: That's right, with  
15 Sisira Sarma.

16 MS. KATRINE DILAY: Okay. And can you  
17 tell us a little bit about what that study did?

18 DR. WAYNE SIMPSON: This was the study  
19 that tried to quantify, if you will, some of the  
20 factors that are associated with -- with health  
21 utilization when people contact doctors and  
22 specialists and so on. And it used a number of  
23 regression techniques that are now more and more  
24 common in the health economics and health literature,  
25 but at the time were fairly novel, I guess.

1 MS. KATRINE DILAY: And can you tell  
2 us what are regression techniques?

3 DR. WAYNE SIMPSON: Well, regression  
4 generally is trying to sort out the relationships  
5 amongst a number of factors where one (1) is  
6 identified as a -- a deep-ended variable, a variable  
7 explained and the other variables are independent  
8 variables or factors that explain it.

9 And what starts out as a fairly simply  
10 exercise in relating variables can become fairly  
11 complicated depending upon the nature of the  
12 variables, particularly the nature of the deep-ended  
13 variable and the nature of the relationship, whether  
14 you're trying to establish causality, which is, of  
15 course, a much more strict concept than simply saying  
16 that there's a correlation amongst the variables and  
17 so on.

18 MS. KATRINE DILAY: Okay. Thank you.  
19 So another example of an article that you had written  
20 would be economic integration of immigrants to Canada.

21 Is that right?

22 DR. WAYNE SIMPSON: Yes.

23 MS. KATRINE DILAY: And this article  
24 surveyed the statistical and economic literature.

25 Is that right?

1 DR. WAYNE SIMPSON: Yes, it does.

2 MS. KATRINE DILAY: Okay. And in the  
3 area of quantitative research and areas of social  
4 policy, you will -- you also wrote the article, What  
5 are Canadians doing after school?

6 Is that right?

7 DR. WAYNE SIMPSON: Yes.

8 MS. KATRINE DILAY: And can you tell  
9 us what that examined, kind of just briefly?

10 DR. WAYNE SIMPSON: This was the  
11 question of training, not in the sense of going  
12 through university or to a -- a post-secondary  
13 institution, but more the question of employer and  
14 workplace training, which is a very important question  
15 about -- that affects countries in terms of their  
16 productivity and so on.

17 And also outside training that occurs  
18 in conjunction with work.

19 MS. KATRINE DILAY: Okay. Thank you.  
20 Moving on to -- in terms of your areas of specialty  
21 with your research, would it be fair to say that you  
22 specialize in applied microeconomics, quantitative  
23 methods, as well as social policy?

24 DR. WAYNE SIMPSON: Yes.

25 MS. KATRINE DILAY: And can you tell



1 us a little bit about, you know, what is exactly  
2 applied microeconomics?

3 DR. WAYNE SIMPSON: Well, applied  
4 microeconomics is a very large portion of -- of what  
5 economists do and it essentially revolves around the -  
6 - the basic tools of economics, fairly broadly  
7 defined. Dr. Buckland just referred to the -- the  
8 predominant sort of notions in neoclassic economics,  
9 but there's a -- there's a fairly broad set of tools  
10 that are -- that are used that include a series of  
11 quantitative tools like econometrics apply to  
12 econometric techniques, regression, and which try to  
13 address a variety of problems in the -- in society  
14 with the idea typically of providing some insight or  
15 recommending some policy reform.

16 MS. KATRINE DILAY: Okay. Thank you.  
17 Between 1996 and 2001 you were given a research award  
18 from SSHRC, which we heard about as well from Dr.  
19 Buckland's questions.

20 Is that right?

21 DR. WAYNE SIMPSON: Yes.

22 MS. KATRINE DILAY: And can you tell  
23 us what this research award was for?

24 DR. WAYNE SIMPSON: This was the  
25 western research network on education and training.

1 And again, it looked not only at the standard, you  
2 know, educational institutions, but also at the whole  
3 question of workplace training and associated training  
4 in conjunction with work.

5 MS. KATRINE DILAY: Okay. And in 2014  
6 you received the McCracken award. Am I pronouncing  
7 that right?

8 DR. WAYNE SIMPSON: That's right, with  
9 Derek Hum and Evelyn Forget, yeah.

10 MS. KATRINE DILAY: And that was for  
11 the development and analysis of economic statistics  
12 for the Canadian Economics Association.

13 Is that right?

14 DR. WAYNE SIMPSON: That's correct.

15 MS. KATRINE DILAY: Now, moving onto  
16 your experience in past hearings, you did provide  
17 evidence for both -- both previous hearings on payday  
18 lending in 2007 and 2008, as well as 2013.

19 Is that right?

20 DR. WAYNE SIMPSON: That's right, yes.

21 MS. KATRINE DILAY: And you were  
22 qualified as an expert witness in the hearing,  
23 specifically in 2008 -- 2007/2008, correct?

24 DR. WAYNE SIMPSON: Yes.

25 MS. KATRINE DILAY: In addition,

1 you've also testified and been qualified before the  
2 Manitoba Public Utilities Board in matters relating to  
3 Manitoba Public Insurance in the matter of determining  
4 the appropriate rate stabilization reserve for MPI.

5 Is that right?

6 DR. WAYNE SIMPSON: Yes.

7 MS. KATRINE DILAY: And further, you  
8 were qualified as an expert in the 2014 Needs for and  
9 Alternative -- Needs for and Alternatives to review of  
10 Manitoba Hydro's preferred develop -- development  
11 plan.

12 Is that right?

13 DR. WAYNE SIMPSON: Yes, I wa.

14 MS. KATRINE DILAY: Okay. Those are  
15 all my questions for Dr. Simpson.

16 MR. BYRON WILLIAMS: Turning to you,  
17 doc -- Ms. St. Aubin. Let's -- if we pull up Ms. St.  
18 Aubin's curriculum vitae, and let's start with  
19 something that's not on there. Am I correct in  
20 suggesting that from 2002 through 2006, you worked as  
21 an investigative support for a nonprofit agency,  
22 Missing Child (sic) Society of Ca -- Canada?

23 MS. ZOE ST. AUBIN: Missing Children  
24 Society of Canada, yes.

25 MR. BYRON WILLIAMS: Okay. Thanks for

1 listening more carefully than I'm speaking. And in  
2 that role, you worked aside -- alongside  
3 investigators, including retired police and RCMP  
4 detectives?

5 MS. ZOE ST. AUBIN: Yes, that's right.

6 MR. BYRON WILLIAMS: And what, if  
7 anything, did you learn from that that is relevant for  
8 -- for your research task today?

9 MS. ZOE ST. AUBIN: My role as  
10 investigative support, I -- in particular, it came to  
11 analyzing patterns in the transcripts, that the  
12 investigators did interviews with people, and they  
13 taught me to identify patterns and how to analyze the  
14 data.

15 MR. BYRON WILLIAMS: Okay, thank you.  
16 In terms of your education, you received your  
17 bachelors of arts degree in sociology from Simon  
18 Fraser?

19 MS. ZOE ST. AUBIN: That's right.

20 MR. BYRON WILLIAMS: And your work at  
21 Simon Fraser in -- include a fair bit of focus on  
22 research methods?

23 MS. ZOE ST. AUBIN: Yes, that's  
24 correct.

25 MR. BYRON WILLIAMS: And could you

1 just elaborate on that just a little bit, please?

2 MS. ZOE ST. AUBIN: I took every  
3 research course possible. I was allowed to take as an  
4 undergrad a graduate level course because of my  
5 academic standing in those research methods courses.

6 MR. BYRON WILLIAMS: Thank you. And  
7 you received an MA in sociology from the U of M in  
8 2013?

9 MS. ZOE ST. AUBIN: Yes, I did.

10 MR. BYRON WILLIAMS: And again, if you  
11 can discuss the focus on research methods in -- in  
12 your masters work, please?

13 MS. ZOE ST. AUBIN: Specifically, it  
14 was in mixed methods methodol -- methodology,  
15 particularly online survey as well as interviews.

16 MR. BYRON WILLIAMS: And your skill  
17 set in -- in your masters developed advanced skills in  
18 survey design and social network analysis?

19 MS. ZOE ST. AUBIN: That's correct.

20 MR. BYRON WILLIAMS: And, of course,  
21 you received a certificate of completion in terms of  
22 the Tri-Council Policy Statement in terms of ethical  
23 conduct of research?

24 MS. ZOE ST. AUBIN: That's correct.

25 MR. BYRON WILLIAMS: In terms of your

1 graduate research project, food consumption  
2 experiences in Thompson, Manitoba, a northern  
3 narrative, can you tell us what the work was that you  
4 did for this research project?

5 MS. ZOE ST. AUBIN: I did a case study  
6 on Thompson. And I explored the factors that  
7 influenced people's food consumption practices. Being  
8 a relatively isolated community, I was exploring the  
9 relationship of geography as well as the social  
10 factors that would influence their consumption  
11 practices.

12 I used an online survey. And I also  
13 conducted in-depth one-on-one interviews.

14 MR. BYRON WILLIAMS: Okay. And in the  
15 -- in -- in the context of mixed method research,  
16 what, if any, role would that be playing in the  
17 Thompson research?

18 MS. ZOE ST. AUBIN: The mixed methods?  
19 It really provides a in-depth understanding of social  
20 phenomena. So you have -- the use of surveys help to  
21 identify any broad patterns. And then I employed the  
22 interviews, which helped to further explore those  
23 patterns that were seen in the survey data.

24 MR. BYRON WILLIAMS: If you can just  
25 scroll down, Diana, on this page. Currently, you work

1 as a research associate for the Canadian Centre for  
2 policy alternatives. Is that correct?

3 MS. ZOE ST. AUBIN: That's an unpaid  
4 position.

5 MR. BYRON WILLIAMS: Okay. What, if  
6 anything, does the work with them involve?

7 MS. ZOE ST. AUBIN: The opportunity to  
8 publish as well as any sort of research consulting  
9 that they may need.

10 MR. BYRON WILLIAMS: And have you been  
11 -- I wonder in terms of the work with Professor  
12 Renaud, that -- that he's involved with the Canadian  
13 Centre for Child Protection. Is that correct?

14 MS. ZOE ST. AUBIN: It was a project  
15 that we worked together with.

16 MR. BYRON WILLIAMS: Okay. And this  
17 work involves con -- coordinating data collection,  
18 analyzing findings, as well as writing a final report?

19 MS. ZOE ST. AUBIN: That's right.

20 MR. BYRON WILLIAMS: In terms of any  
21 project coordinator research roles you've played with  
22 the Canadian Centre of -- for Policy Alternatives,  
23 would it be fair to say that this has involved  
24 developing research tools, such as online surveys and  
25 interviews, focus groups, and assessment tools?

1 MS. ZOE ST. AUBIN: That's correct.

2 MR. BYRON WILLIAMS: And it also  
3 involves collecting data from the research tools,  
4 analyzing it, and producing the final reports?

5 MS. ZOE ST. AUBIN: That's correct.

6 MR. BYRON WILLIAMS: And on the right-  
7 hand side, it -- it looks -- in terms of the work as  
8 project coordinator for the Rural Development  
9 Institute, just at a high level, can you outline some  
10 of the work that you did?

11 MS. ZOE ST. AUBIN: Basically, I  
12 helped set up the project which illustrates all the  
13 tasks there. And this did require some coordinating  
14 international relationships with different  
15 universities, as it was -- the project is based off a  
16 partnership grant from SSHRC.

17 And so my role was to analyze how each  
18 university could -- does apply under the partnership  
19 grant, as well as how we could work together as a  
20 collective.

21 MR. BYRON WILLIAMS: Okay. Just for a  
22 moment, if we could turn to the last page of your  
23 curriculum vitae in -- in terms of the documents in  
24 which you've co-authored peer-reviewed reports or  
25 presentations.



1                   In terms of Cultural Home --  
2 Homogeneity in Northern Food Environments -- good for  
3 me to say it -- I wonder if you can discuss briefly in  
4 terms of what this paper addressed?

5                   MS. ZOE ST. AUBIN:    Sure. This is  
6 paper based off of my thesis, the case study I did in  
7 Thompson. And -- but particularly, there were  
8 participants in my study who I didn't target.

9                   But one (1) of the unexpected findings  
10 was how newcomers in Canada, how they mediated their  
11 food preferences which were a part of their cultural  
12 practices. And so that specifically, I drew from  
13 those findings and presented at this con --  
14 conference.

15                  MR. BYRON WILLIAMS:   Thank you. Third  
16 on the list on the left-hand side -- excuse me, fourth  
17 on the list on the left-hand -- left-hand side, if we  
18 could pull it up to the presentation along with Dr.  
19 Distasio, Best Practice Research Report.

20                  I wonder if you can elaborate on the  
21 work involved with that?

22                  MS. ZOE ST. AUBIN:    That was a  
23 report I was involved with as a contributing author.  
24 My role was to analyze the interviews that had been  
25 collected and identify any patterns or any other

1 findings and help contribute to the write-up of the  
2 report.

3 MR. BYRON WILLIAMS: Okay. And based  
4 on the num -- numerous research projects you've been  
5 involved in, as well as your education, would it be  
6 fair to say that you -- you have developed  
7 considerable experience and expertise in mixed-method  
8 research, including surveys, interviews, focus groups,  
9 and data analysis?

10 MS. ZOE ST. AUBIN: Yes.

11 MR. BYRON WILLIAMS: And, Dr.  
12 Buckland, you had an opportunity to work with Ms. St.  
13 Aubin. Do you have any additional commentary in terms  
14 of her experience in this field?

15 DR. JERRY BUCKLAND: Oh, it was very  
16 strong, very excellent experience working together,  
17 and she contributed tremendously to the project.

18 MR. BYRON WILLIAMS: Dr. Robinson,  
19 anything you'd like to add?

20

21 (BRIEF PAUSE)

22

23 DR. CHRIS ROBINSON: Okay. Thank you.  
24 Yes. Unlike most finance professors, I've had, in  
25 fact, extensive professional training in exactly the

1 method that you have heard Dr. Buckland and Ms. St.  
2 Aubin describe.

3 I have trained students myself,  
4 supervised many graduate students, published and done  
5 research, both published and unpublished, using mixed  
6 methods, qualitative methods, surveys, everything that  
7 you've heard them say.

8 They are more qualified than I am to do  
9 this work, but I am personally very impressed, and so  
10 would my mentors in this field have been, by the  
11 quality of work. I have had the opportunity to read  
12 the work that they've done, to comment and discuss  
13 matters with them, and I find that their -- their work  
14 entirely credible in that respect.

15 MR. BYRON WILLIAMS: Thank you.  
16 Finally, we're going to turn to you, Dr. Robinson. I  
17 just wanted to warm you up for a --

18 MR. REGIS GOSSELIN: Mr. Williams, I  
19 wonder if I could just --

20 MR. BYRON WILLIAMS: Yes.

21 MR. REGIS GOSSELIN: -- intervene here  
22 for a second. I just -- I just noticed after the --  
23 the name Ms. St. Aubin, you have the B -- BA  
24 designation, but you have the letters DBA. And I'm  
25 wondering what that is.

1 MS. ZOE ST. AUBIN: Diploma in  
2 Business Administration.

3 MR. BYRON WILLIAMS: Thank you. And,  
4 Dr. Robinson, if -- perhaps if we could pull up your  
5 curriculum vitae as well.

6

7 (BRIEF PAUSE)

8

9 MR. BYRON WILLIAMS: And about a  
10 thousand years ago, or in 1974, you received a  
11 bachelor's degree in commerce, Dr. Robinson?

12 DR. CHRIS ROBINSON: Yes.

13 MR. BYRON WILLIAMS: And then you  
14 received a designation which we would now say CPA, CA  
15 in 1977. But in those days, I think it would be a CA.

16 Is that right, Dr. Robinson?

17 DR. CHRIS ROBINSON: Yes. I  
18 originally qualified as a chartered accountant.

19 MR. BYRON WILLIAMS: And you received  
20 your MBA in 1980 with a focus on finance and  
21 accounting?

22 DR. CHRIS ROBINSON: Yes.

23 MR. BYRON WILLIAMS: And a PhD in 1985  
24 with a focus on finance from the University of  
25 Toronto?

1 DR. CHRIS ROBINSON: Yes.

2 MR. BYRON WILLIAMS: In terms of  
3 finance, would it be fair to say that the foundations  
4 of neoclassical finance are found in neoclassical  
5 microeconomics?

6 DR. CHRIS ROBINSON: Yes.

7 MR. BYRON WILLIAMS: Thank you. You  
8 began work at York University in 1983, and have taught  
9 there since that time?

10 DR. CHRIS ROBINSON: Yes.

11 MR. BYRON WILLIAMS: In terms of  
12 graduate courses you taught at York, they have  
13 included managerial finance. Is that correct?

14 DR. CHRIS ROBINSON: Yes.

15 MR. BYRON WILLIAMS: You also created  
16 and taught the course corporate financial analysis?

17 DR. CHRIS ROBINSON: Yes.

18 MR. BYRON WILLIAMS: And you also  
19 taught personal finance, another course which you  
20 developed?

21 DR. CHRIS ROBINSON: Yes.

22 MR. BYRON WILLIAMS: And you have  
23 extensive experience in accounting as an occupation,  
24 both with Shell Canada and with KPMG?

25 DR. CHRIS ROBINSON: Yes.

1 MR. BYRON WILLIAMS: And extensive  
2 experience in accounting as an area of research,  
3 teaching, and public engagement?

4 DR. CHRIS ROBINSON: Yes.

5 MR. BYRON WILLIAMS: You have taught  
6 financial statement analysis to undergraduate and  
7 graduate students at York University?

8 DR. CHRIS ROBINSON: Yes.

9 MR. BYRON WILLIAMS: And published  
10 financial analysis case studies?

11 DR. CHRIS ROBINSON: Yes.

12 MR. BYRON WILLIAMS: You were an  
13 internationally acknowledged expert in personal  
14 financial planning, both as a researcher and a  
15 teacher?

16 DR. CHRIS ROBINSON: Yes.

17 MR. BYRON WILLIAMS: And have  
18 published several research papers in the field, and  
19 won a number of best paper awards.

20 DR. CHRIS ROBINSON: Yes.

21 MR. BYRON WILLIAMS: You have authored  
22 a textbook 'Personal Financial Planning,' along with  
23 Dr. Ho?

24 DR. CHRIS ROBINSON: Yes. I've  
25 actually co-authored two (2) text books. One (1) of

1 them was in both English and French.

2 MR. BYRON WILLIAMS: And that is the  
3 'Personal Finance Management' with Dr. Gilles Bernier?

4 DR. CHRIS ROBINSON: Gilles Bernier,  
5 oui.

6 MR. BYRON WILLIAMS: Okay. We'll get  
7 Ms. Dilay to say that from now on. Going back to  
8 'Personal Financial Planning' just for a second, that  
9 textbook is used across Canada, is it not?

10 DR. CHRIS ROBINSON: Yes, it is.

11 MR. BYRON WILLIAMS: And in terms of  
12 the -- the work with Dr. Bernier in terms of 'Personal  
13 Financial Management', that project was undertaken for  
14 the professional banking program at the Institute of  
15 Canadian Bankers, of ICB?

16 DR. CHRIS ROBINSON: Yes.

17 MR. BYRON WILLIAMS: You have taught -  
18 - been teaching personal finance to undergraduate and  
19 graduate students since 1992 at York?

20 DR. CHRIS ROBINSON: Yes. At York,  
21 yes.

22 MR. BYRON WILLIAMS: Yeah, sorry for  
23 the imprecision.

24 DR. CHRIS ROBINSON: Institute of  
25 Canadian Bankers since 1985.

1                   MR. BYRON WILLIAMS:    Thank you.   And  
2 you are a certified financial planner?

3                   DR. CHRIS ROBINSON:    Yes.

4                   MR. BYRON WILLIAMS:    And what does  
5 that mean?

6                   DR. CHRIS ROBINSON:    A certified  
7 financial planner is somebody who's trained in the --  
8 in all areas of financial planning.  Retirement  
9 planning, tax, budgeting, debt management, estate  
10 planning.  In addition, I'm also a fellow of the  
11 Financial Planning Standard's council, one (1) of the  
12 inaugural fellows from my contributions to research  
13 and teaching across Canada.

14                  MR. BYRON WILLIAMS:    Thank you.  You  
15 also do work, as you mentioned, in qualitative  
16 research?

17                  DR. CHRIS ROBINSON:    Yes.

18                  MR. BYRON WILLIAMS:    In terms of  
19 honours and awards, in 2006, from the School of  
20 Administrative Studies, you received an honourable  
21 mention in the theory practice award for regulation of  
22 payday lending in Canada?

23                  DR. CHRIS ROBINSON:    Yes.

24                  MR. BYRON WILLIAMS:    In 1998, you  
25 received an order from the American College -- the



1 American College award for an outstanding paper in  
2 personal finance from the Academy of Financial  
3 Services conference?

4 DR. CHRIS ROBINSON: Yes.

5 MR. BYRON WILLIAMS: Also in that  
6 year, you received the CFP award for best paper in  
7 personal finance from the Midwest Finance Association  
8 conference?

9 DR. CHRIS ROBINSON: Yes.

10 MR. BYRON WILLIAMS: And you received  
11 awards between 1993 and '95 for outstanding papers in  
12 indivi -- individual financial management from the  
13 Academy of Financial Services conferences?

14 DR. CHRIS ROBINSON: Yes.

15 MR. BYRON WILLIAMS: In 2007, you won  
16 the CFP outstanding paper award at the Academy of  
17 Financial Services?

18 DR. CHRIS ROBINSON: Yes.

19 MR. BYRON WILLIAMS: And in 2011, you  
20 received a fellow, as you've mentioned, of the  
21 Financial Planning Standards council in recognition of  
22 your contribution to the financial planning profession  
23 in Canada.

24 DR. CHRIS ROBINSON: Yes.

25 MR. BYRON WILLIAMS: And your first

1 work on payday loans was on behalf of Industry Canada?

2 DR. CHRIS ROBINSON: Yes.

3 MR. BYRON WILLIAMS: You wrote two (2)  
4 reports in '04 and '05 on the payday lending industry?

5 DR. CHRIS ROBINSON: Yes.

6 MR. BYRON WILLIAMS: And you provided  
7 evidence at both prior hearings on payday lend --  
8 lending in '07/'08, and 2013?

9 DR. CHRIS ROBINSON: Yes.

10 MR. BYRON WILLIAMS: And were  
11 qualified as an expert witness at the '07/'08 hearing?

12 DR. CHRIS ROBINSON: Yes.

13 MR. BYRON WILLIAMS: And your -- Dr.  
14 Robinson, I think that's enough. I'm going to let you  
15 sit down.

16 DR. CHRIS ROBINSON: Thank you.

17 MR. BYRON WILLIAMS: Before presenting  
18 the witnesses for additional questions, I'll just  
19 highlight the areas of expertise that we'd like them  
20 to be qualified as, and I -- I just wonder if I could  
21 be excused to talk to Dr. Simpson for just one (1)  
22 second, please?

23

24 (BRIEF PAUSE)

25

1                   MR. BYRON WILLIAMS:    Thank you.  And I  
2 appreciate your indulgence.  In terms of Dr. Buckland,  
3 we would ask that he be qualified as an expert in  
4 economics, including qualitative and quantitative  
5 research methodology with a particular specialization  
6 in micro finance, micro community development,  
7 economic development, and the interdisciplinary  
8 development theory.

9                   And Dr. Simpson, and the reason I was  
10 conferring with them is I was wondering why we had  
11 labour economics written down there and he -- he is a  
12 specialist in that area, but we don't need that  
13 qualification and we -- so.

14                   In terms of Dr. Simpson we're asking he  
15 be qualified as an expert in applied microeconomics,  
16 quantitative methods as they're applied to social  
17 policy.

18                   For Ms. Zoe St. Aubin, that she be  
19 qualified as an expert on mix methods research,  
20 including surveys, interviews, focus groups, and data  
21 analysis.

22                   And for Dr. Robinson, that he be  
23 qualified as an expert in financial statement analysis  
24 and personal finance, corporate finance, and survey  
25 research.

1                   And we certainly make the ex -- the  
2 witnesses open to your questions. And -- and  
3 certainly if there's -- it's open to the Board and --  
4 to seek commentary from others in terms of whether  
5 their qualifications are accepted.

6

7 QUESTIONS (QUALIFICATION):

8                   MR. REGIS GOSSELIN:    Dr. Robinson, I  
9 just want to -- to clarify your past experience in  
10 dealing with payday lending.

11                   Could you go over that again for me,  
12 please?

13                   DR. CHRIS ROBINSON:    Okay. I'm not  
14 sure what you want. I mean, I was engaged by Industry  
15 Canada, wrote two (2) reports. That's how I started  
16 to learn about payday lending in 2004. They just  
17 wanted -- they wanted the consumer measures, which it  
18 probably included somebody from Manitoba, wanted to  
19 know more about this -- this area, so I started to  
20 learn about it.

21                   In 2005 they asked me to write a report  
22 in which I actually recommended regulatory strategies  
23 for the federal government. But at that point the  
24 government changed and the government that came in  
25 buried the reports so deeply that the senate couldn't

1 find it and I was not allowed to comment on it.

2           The CPLA, in fact, managed to get it  
3 through Freedom of Information and -- and submitted it  
4 to the hearings. But at that point I had already  
5 moved on. And then subsequently Dr. -- Mr. Williams  
6 did mention, I subsequently wrote another report for  
7 ACORN, Association of Community Organizations for  
8 Reform Now. It's a public interest grass roots  
9 organization that operates in the US and has moved  
10 into Canada, at least in Onta -- at least in Toronto.

11           So I wrote a report for them. I -- I  
12 can't remember the date now, but the date is on the  
13 CV. And then subsequent to that I was retained by the  
14 public interest law centre and did the research, for  
15 which I was qualified as an expert witness in the 2007  
16 and '08 hearings.

17           And rather than one (1) con -- one (1)  
18 single report, as we were still working our way  
19 through the process, I wrote a number of documents in  
20 which I analyzed various aspects of payday lending.  
21 And then in 2013 it was a much more limited  
22 engagement.

23           I was simply asked to provide some  
24 commentary, but I did not do the extent of research  
25 that I have done now or that I did back in '07/'08.

1 In addition, I've also written a paper -- co-authored  
2 a paper with Mark Schwartz, one of the world's leading  
3 ethics researcher, because I also work in ethics.

4 And that paper, we still haven't been  
5 able to get it published, but that paper was heard by  
6 the '07/'08 in an earlier version and it was on the  
7 ethics of payday lending using a formal ethics model.  
8 So I've had extensive experience in various aspects of  
9 payday lending.

10 MR. REGIS GOSSELIN: Thank you for  
11 that.

12

13 (BRIEF PAUSE)

14

15 THE PANEL CHAIRPERSON: I would ask  
16 now if any of the Intervenors have any comments or  
17 questions in regard to the experts?

18 MR. NORM BISHOP: We do not.

19 THE PANEL CHAIRPERSON: Is our guest  
20 from Thomps -- okay. Thank you very much. Okay.  
21 Thank you very much, Mr. Williams. Do --

22 MR. BYRON WILLIAMS: Might I ask just  
23 -- just to follow up on the chair person's question,  
24 Dr. Robinson, just in terms of financial statement  
25 analysis, personal finance and corporate finance, how,

1 if at all, does it apply to the -- your -- your work  
2 and your analysis that payday lending is?

3 DR. CHRIS ROBINSON: In order to -- I  
4 have to, shall we say, bring together several strands  
5 of my research and teaching in -- in doing this  
6 analysis because in order to -- in order to look at  
7 the industry, which is what I'm doing primarily, I  
8 need to be able to read the financial data and  
9 determine what a fair and just rate might be.

10 And this financial data itself is not  
11 an -- it's not trivial to read it; it requires  
12 considerable experience. I have exposed major frauds  
13 in -- in the public interest, and so I adapt that.

14 Oddly, much of my expertise in it comes  
15 from the practice of teaching because I've been  
16 teaching this skill since 1985 and it is a skill that  
17 you acquire only by keeping on doing it repeatedly,  
18 and I have been doing so. So I'm used to using  
19 financial statement data and turning it into useable  
20 forms, not merely preparing it as say I would have as  
21 a chartered accountant, but actually using it.

22 Then there is the -- the economic basis  
23 for what you're doing with that data so that, for  
24 example, the cost of capital which you have seen my  
25 writings upon, including the information, my response

1 to an Information Request.

2                   And, of course, I -- I have also in my  
3 report brought forward certain ethics issues, such as  
4 Justice as Fairness from Rawls and utilitarianism so  
5 that these are necessary, if you like, as a  
6 combination in order to both do the mechanics of the  
7 analysis, do it so that it has a proper economic basis  
8 and to return to the original economists who did not  
9 regard themselves as economists.

10                   The first economists regarded  
11 themselves as moral philosophers. And so our economic  
12 still, we would hope, has a moral basis. And so I'm  
13 attempting to return to that, as well.

14                   But, of course, what you see the most  
15 of is me beating up on a whole bunch of numbers and  
16 making confusing hash of them for you.

17                   MR. BYRON WILLIAMS: Thank you, Dr.  
18 Robinson.

19

20                   (BRIEF PAUSE)

21

22                   THE PANEL CHAIRPERSON: We're just  
23 going to take a few minutes, about five (5) minutes,  
24 to confirm that the panel is all in total agreement  
25 with the expert witnesses as presented. So we'll take



1 a five (5) minute recess. Thank you.

2

3 --- Upon recessing at 3:27 p.m.

4 --- Upon resuming at 3:38 p.m.

5

6 RULING (QUALIFICATION):

7 THE PANEL CHAIRPERSON: Thank you very  
8 much for waiting for us. The Board has approved the  
9 Consumer Coalition's expert panel and their  
10 qualifications. But as indicated though, there were a  
11 couple of changes, and one (1) is in Dr. Simpson that  
12 we took out in labour economics and, also, where it  
13 says, "Quantitative methods as it applies to social  
14 policy," we've -- is that fine to do that?

15 MR. BYRON WILLIAMS: Yes. Thank you  
16 for that.

17 THE PANEL CHAIRPERSON: Okay. And,  
18 yes, so we're qualified. Everybody's satisfied with  
19 the experts' qualifications.

20 MR. BYRON WILLIAMS: The -- I'm noting  
21 the time. And it's -- we're at the -- the -- we seek  
22 instruction from the panel. I could spend just a  
23 couple minutes confirming which sections were prepared  
24 under their care and control or we could launch right  
25 into Dr. Buckland's, although I think his presentation

1 is probably going to take forty-five (45) minutes, in  
2 that range, so.

3 THE PANEL CHAIRPERSON: I prefer your  
4 first comment, that we'll --

5 MR. BYRON WILLIAMS: Okay.

6 THE PANEL CHAIRPERSON: -- look at  
7 what they're going to be talking about. Thank you.

8 MR. BYRON WILLIAMS: Okay. And again,  
9 just if you refer to the outline. And I'm just going  
10 to turn you to the 2nd page of the outline, which is  
11 Coalition Exhibit 31, just the two (2) pager.

12 Dr. Buckland, in -- in terms of the  
13 many tabs of the report, you had supervision of the  
14 work in terms of the -- Tab 1 being in the  
15 introduction and executive summary, Tab 2 being the  
16 literature review, Tab 6 be -- being the focus group,  
17 Tab 7 being prices and practices.

18 You -- you retained the map workers in  
19 Tab -- found in Tab 8. And in terms of Tab 9, the  
20 small loans workshop which explored alternatives to  
21 payday loans, you were also the leader of that part of  
22 the research as well?

23 DR. JERRY BUCKLAND: Yes.

24 MR. BYRON WILLIAMS: Thank you. And  
25 you'll see underneath that certain information

1 responses to the CPLA and to the PUB. And those were  
2 the information responses that you were primarily  
3 responsible for.

4 DR. JERRY BUCKLAND: Yes, that's  
5 right.

6 MR. BYRON WILLIAMS: Is that correct?

7 DR. JERRY BUCKLAND: Yeah.

8 MR. BYRON WILLIAMS: And, Dr. Simpson,  
9 in terms of your -- the -- the -- your evidence, you  
10 were responsible for Tab 4, being the CFCS analysis,  
11 as well as Tab 5, being the SFS analysis?

12 DR. WAYNE SIMPSON: Yes, that's  
13 correct, supervising Khan Islam who also contributed  
14 to those reports.

15 MR. BYRON WILLIAMS: Okay. And who is  
16 Khan Islam, Dr. Simpson?

17 DR. WAYNE SIMPSON: He's a Ph.D.  
18 candidate at the University of Manitoba, my Ph.D.  
19 student.

20 MR. BYRON WILLIAMS: Okay. Thank you.  
21 And in terms of the IR responses, you were responsible  
22 for CPLA-41 to 45, as well as PUB IRs 1 to 11, 15, and  
23 21 in part?

24 DR. WAYNE SIMPSON: Yes.

25 MR. BYRON WILLIAMS: Okay. Thank you.

1 Ms. St. Aubin, in terms of the  
2 evidence, and turning to the next page -- thank you,  
3 Diana -- you were responsible for Tab 6(a), being --  
4 being Manitoba consumers' experience with payday loans  
5 research?

6 MS. ZOE ST. AUBIN: Yes, I was.

7 MR. BYRON WILLIAMS: And also with a  
8 number of IR responses as set out on this -- on this  
9 page?

10 MS. ZOE ST. AUBIN: That's correct.

11 MR. BYRON WILLIAMS: And, Dr.  
12 Robinson, you were responsible for Tab 3 of the -- the  
13 March 24th filing of the Coalition, being the economic  
14 analysis of the payday lending industry?

15 DR. CHRIS ROBINSON: Yes.

16 MR. BYRON WILLIAMS: And in terms of  
17 IR responses to the CPLA, you were primarily  
18 responsible for IRs 1 through 40?

19 DR. CHRIS ROBINSON: Yes.

20 MR. BYRON WILLIAMS: And similarly, in  
21 terms of IR responses to the PUB, you were responsible  
22 for the ones set out on the last page of Exhibit 31 of  
23 the Coalition?

24 DR. CHRIS ROBINSON: I'm not entirely  
25 sure about the last bullet, thirty-nine (39) to forty-

1 one (41).

2 MR. BYRON WILLIAMS: Okay. Then --

3 DR. CHRIS ROBINSON: Would you allow  
4 me to take a look at them for a minute?

5 MR. BYRON WILLIAMS: Yes, we can do  
6 that, Dr. Robinson. And just -- and, Madam Chair,  
7 I'll simply note that in two (2) IR responses, there  
8 was one (1) by Dr. Simpson and one (1) by Dr.  
9 Robinson.

10 The Board will see a response from Dr.  
11 Simpson, and then additional information provided by  
12 our client, and similarly in one (1) of Dr.  
13 Robinson's, you will see that -- that same thing. And  
14 that's why we use the words "primarily." There's two  
15 (2) where additional information was provided by the  
16 Coalition.

17

18 (BRIEF PAUSE)

19

20 DR. CHRIS ROBINSON: So we'll -- okay.  
21 That -- that's fine.

22 MR. BYRON WILLIAMS: Okay. Thank you.

23 Madam Chair, members of the panel, it's  
24 been a really interesting day, a long day. I hope  
25 time goes quickly over the evening and we have a good

1 rest, and we'll hit the -- I guess we don't start till  
2 9:30 tomorrow, though.

3 Is that right?

4 THE PANEL CHAIRPERSON: Okay. Thank  
5 you very much, everybody, for attending today's  
6 hearings. We will now adjourn, and tomorrow we'll  
7 begin again, as Mr. Williams mentioned, at 9:30 a.m.  
8 in the same spot. So we look forward to hearing from  
9 you tomorrow.

10

11 --- Upon adjourning at 3:44 p.m.

12

13

14 Certificate Correct,

15

16

17 \_\_\_\_\_

18 Robert Keelaghan, Mr.

19

20

21

22

23

24

25